

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Battle Creek		County Calhoun
Audit Date June 30, 2004	Opinion Date October 29, 2004	Date Accountant Report Submitted to State: December 16, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

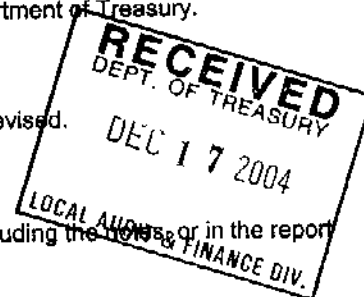
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature <i>Rehmann Robson</i>			





REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

October 29, 2004

Honorable Mayor and
Members of the City Commission
City of Battle Creek, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Battle Creek, Michigan*, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Battle Creek's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Battle Creek, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and Community Development Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2004, on our consideration of the City of Battle Creek, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, in a separately issued single audit report. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-14 and the Police and Fire Retirement System information on page 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Battle Creek's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lehmann Johnson

Management's Discussion and Analysis

As management of the *City of Battle Creek, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$375,930,986 (*net assets*). Of this amount, \$62,258,312 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$10,478,985.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,792,991, a decrease of \$4,557,960 in comparison with the prior year. Approximately 90 percent of this total amount, or \$23,266,479, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$7,538,742 or 18.1% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$2,745,000 during the current fiscal year; \$3.1 million of refunding debt was issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, parks and recreation and community development. The business-type activities of the City include wastewater, water, public transit, solid waste collection and other enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the community development special revenue fund, which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, public transit, solid waste collection and other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance, self-insurance, information management services and printing/reproduction services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water system fund and the Binder Park golf course fund, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27-32 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-65 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 66 of this report.

The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 67-102 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Battle Creek, assets exceeded liabilities by \$375,930,986 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (81.0 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Battle Creek's Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 62,332,682	\$ 66,891,980	\$ 24,395,230	\$ 30,818,760	\$ 86,727,912	\$ 97,710,740
Capital assets	231,286,844	232,357,510	129,032,291	128,284,288	360,319,135	360,641,798
Total assets	293,619,526	299,249,490	153,427,521	159,103,048	447,047,047	458,352,538
Long-term liabilities outstanding	28,858,368	30,223,322	28,578,878	29,341,928	57,437,246	59,565,250
Other liabilities	11,601,326	10,485,153	2,077,489	1,892,164	13,678,815	12,377,317
Total liabilities	40,459,694	40,708,475	30,656,367	31,234,092	71,116,061	71,942,567
Net assets:						
Invested in capital assets, net of related debt	205,676,324	204,894,306	98,756,920	95,239,058	304,433,244	300,133,364
Restricted	11,246,239	16,593,282	-	-	11,246,239	16,593,282
Unrestricted	36,237,269	37,053,427	24,014,234	32,629,898	60,251,503	69,683,325
Total net assets	\$ 253,159,832	\$ 258,541,015	\$ 122,771,154	\$ 127,868,956	\$ 375,930,986	\$ 386,409,971

An additional portion of the City's net assets (3.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (16.0 percent or \$60,251,503) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets decreased by \$10,478,985 during the current fiscal year. This decrease is largely attributable to decreased revenues from state-shared revenues, one-time grants and investment earnings, along with increased operating expenses, including salaries and escalating employee benefits costs.

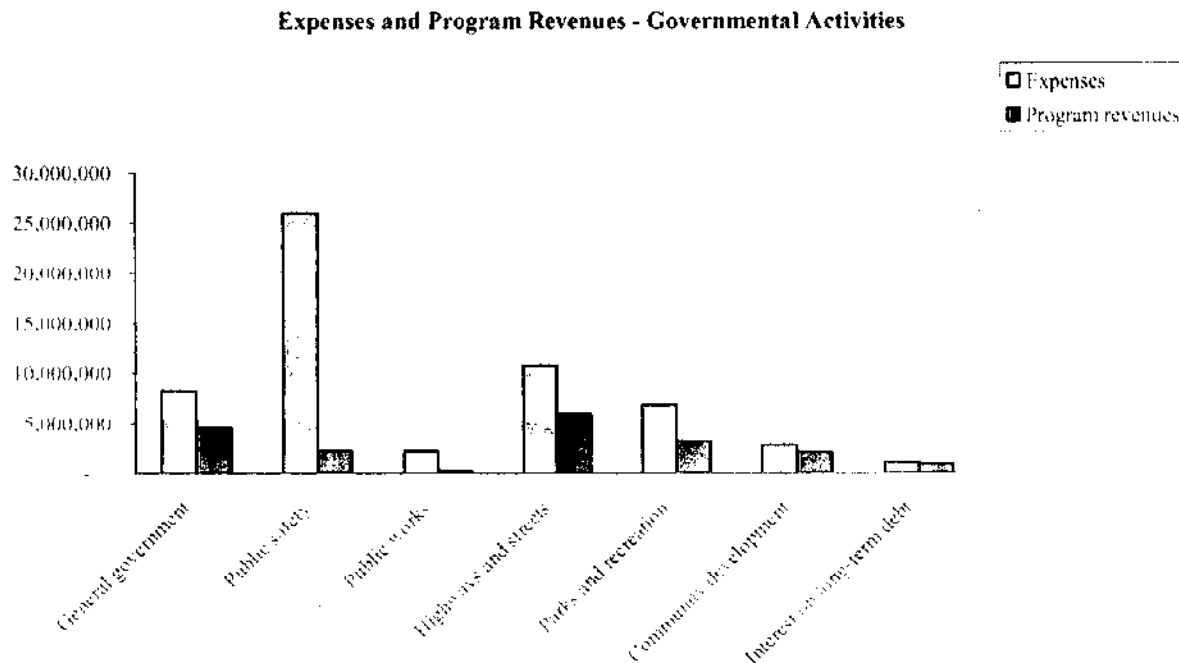
City of Battle Creek's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue:						
Program revenue:						
Charges for services	\$ 8,304,538	\$ 8,108,879	\$ 22,795,555	\$ 22,828,619	\$ 31,100,093	\$ 30,937,498
Operating grants and contributions	10,156,505	11,327,666	2,837,617	2,604,918	12,994,122	13,932,584
Capital grants and contributions	1,007,638	732,056	1,333,423	959,388	2,341,061	1,691,444
General revenue:						
Property taxes	12,764,779	12,375,964	-	-	12,764,779	12,375,964
Income taxes	12,679,119	11,664,194	-	-	12,679,119	11,664,194
Grants and contributions not restricted to specific programs	6,358,441	7,077,172	-	-	6,358,441	7,077,172
Other	1,894,373	2,717,405	(430,829)	1,844,620	1,463,544	4,562,025
Total revenue	53,165,393	54,003,336	26,535,766	28,237,545	79,701,159	82,240,881
Expenses:						
General government	8,285,242	8,990,324	-	-	8,285,242	8,990,324
Public safety	25,996,442	24,497,814	-	-	25,996,442	24,497,814
Public works	2,263,112	2,612,061	-	-	2,263,112	2,612,061
Highways and streets	10,799,830	9,916,209	-	-	10,799,830	9,916,209
Parks and recreation	6,879,916	7,212,347	-	-	6,879,916	7,212,347
Community development	2,834,085	2,959,850	-	-	2,834,085	2,959,850
Interest on long-term debt	1,130,642	1,171,284	-	-	1,130,642	1,171,284
Sewer	-	-	14,090,224	13,587,398	14,090,224	13,587,398
Water	-	-	7,196,409	7,112,747	7,196,409	7,112,747
Transit system	-	-	4,064,196	4,046,023	4,064,196	4,046,023
Solid waste collection	-	-	2,103,397	2,068,331	2,103,397	2,068,331
Other	-	-	4,536,649	3,944,100	4,536,649	3,944,100
Total expenses	58,189,269	57,359,889	31,990,875	30,758,599	90,180,144	88,118,488
Decrease in net assets before transfers	(5,023,876)	(3,356,553)	(5,455,109)	(2,521,054)	(10,478,985)	(5,877,607)
Transfers	(357,307)	959,885	357,307	(959,885)	-	-
Decrease in net assets	(5,381,183)	(2,396,668)	(5,097,802)	(3,480,939)	(10,478,985)	(5,877,607)
Net assets - beginning of year	258,541,015	260,937,683	127,868,956	131,349,895	386,409,971	392,287,578
Net assets - end of year	\$ 253,159,832	\$ 258,541,015	\$ 122,771,154	\$ 127,868,956	\$ 375,930,986	\$ 386,409,971

Governmental activities. Governmental activities decreased the City's net assets by \$5,381,183, accounting for 51.4% of the total decline in the net assets of the City. Key elements of this decrease are as follows:

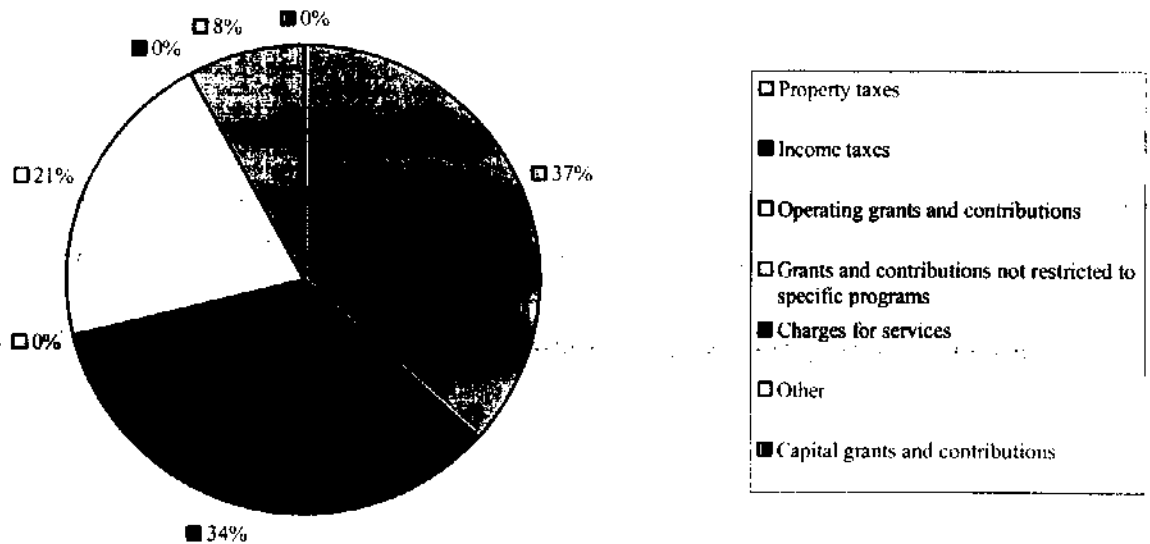
- Revenues from the State of Michigan decreased by over \$700,000 from the prior year level due to continuing fiscal challenges with the State's budget.
- One-time grants of approximately \$950,000 were received in the prior year, including a FEMA grant for fire fighting.
- Lower investment earnings in comparison to the prior year of approximately \$700,000
- Overall, revenue growth failed to keep pace with the increase in expenses, particularly salaries and benefits. This is a trend that has been developing, due in part to the property tax limitations that came about in the mid-1990's by a statewide referendum and the slowdown in the national economy, and is a significant future challenge for all state and local governments.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

Revenues by Source - Governmental Activities

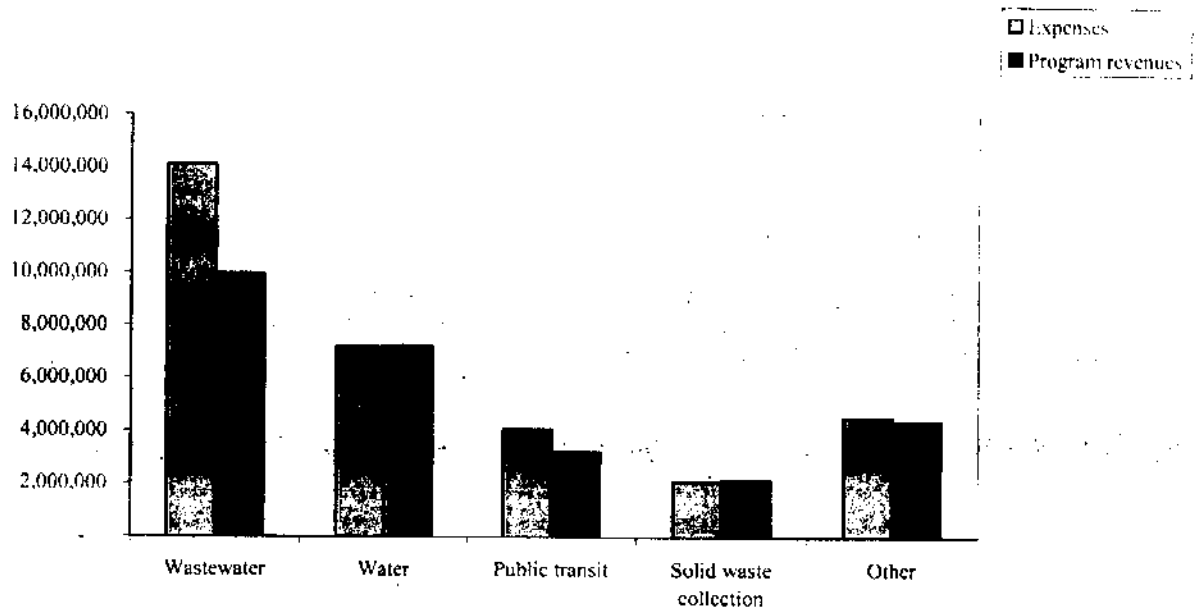


Business-type activities. Business-type activities decreased the City's net assets by \$5,097,802, accounting for 48.6 percent of the total decrease in the government's net assets for the current year. By comparison, business-type activities reported a similar decrease in net assets the previous fiscal year of \$3,480,939. Key elements of the current year decrease are as follows:

- Depreciation expense increased 5.1%, or approximately \$400,000, primarily because of significant capital additions in the wastewater and water system.
- Investment earnings declined by approximately \$2.1 million in comparison to the prior year.
- Escalating operating expenses, including salaries, employee benefits and utilities costs, also impacted the business-type activities similar to the governmental activities.

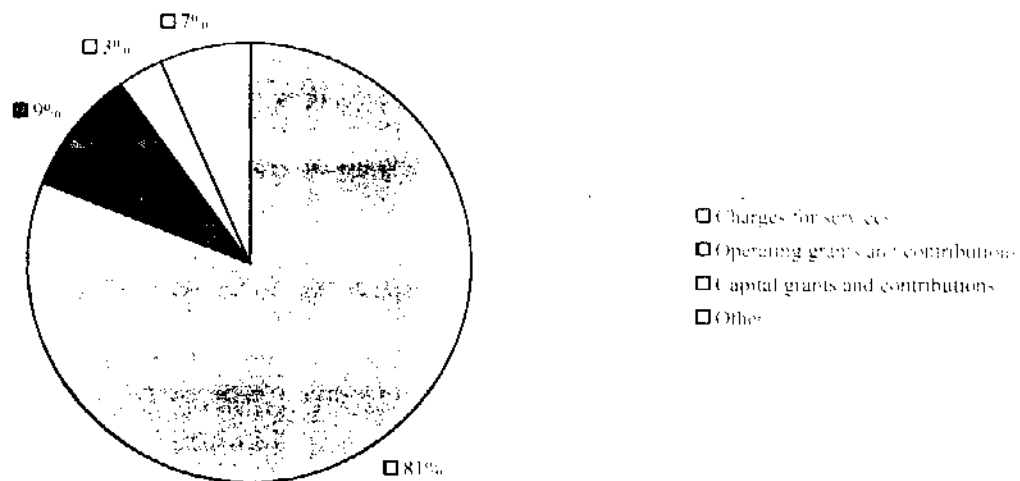
Expenses and Program Revenues - Business-type Activities

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities

Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,792,991, a decrease of \$4,557,960 in comparison with the prior year. Approximately 90% of this total amount (\$23.3 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed:

- to generate income for the support and maintenance of the youth center and Kellogg Arena (\$2,123,533); and
- for inventories, prepaid expenditures and encumbrances (\$402,979).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$7,538,742, while total fund balance was \$11,529,299. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund revenues. Unreserved fund balance represents 28.0 percent of total general fund revenues.

The fund balance of the City's general fund decreased by \$998,831 during the current fiscal year. This was a planned use of fund balance and less than the final budgeted amount by \$684,762.

The community development fund has no fund balance, which is the same as the previous year, since this fund is grant-driven. Original budget estimates anticipated a greater level of activity than actually occurred; however, community development grant funds may be carried over to subsequent years.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and wastewater system fund at the end of the year amounted to \$15,488,939. The fund had a decrease in net assets for the year of \$4,687,366. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

The Binder Park golf course had a total net deficit at the end of the year of \$184,128. For the year, the golf course had a decrease in net assets of \$48,641.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies.

For the year, general fund budgetary estimates for revenues, expenditures and other financing sources and uses exceeded actual, resulting in a net decrease in fund balance that was \$684,762 less than anticipated in the final amended budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$360,319,135 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities decreased 0.5%, and for business-type activities increased by 0.6%. Overall, total net capital assets for the City increased 0.1%.

Major capital asset events during the current fiscal year included the following:

- Water and wastewater system improvements totaling over \$8.3 million in the current year as part of a \$14 million total project.
- Current year infrastructure additions of over \$5.1 million.

City of Battle Creek's Capital Assets
(net of depreciation)

	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land and land improvements	\$ 4,890,550	\$ 4,973,972	\$ 7,103,409	\$ 6,663,249	\$ 11,993,959	\$ 11,637,221
Buildings	34,167,707	34,305,728	15,055,556	15,237,004	49,223,263	49,542,732
Vehicles	2,665,783	3,115,999	1,021,159	1,111,728	3,686,942	4,227,727
Equipment	3,174,506	3,830,786	6,215,826	6,445,859	9,390,332	10,276,645
Systems	-	-	99,636,341	98,826,448	99,636,341	98,826,448
Infrastructure	186,388,298	186,131,025	-	-	186,388,298	186,131,025
Total	\$ 231,286,844	\$ 232,357,510	\$ 129,032,291	\$ 128,284,288	\$ 360,319,135	\$ 360,641,798

Additional information on the City's capital assets can be found in Note 3-C. on pages 49-51 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$52,885,000. Of this amount, \$28,610,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

City of Battle Creek's Outstanding Debt
General Obligation and Revenue Bonds

	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 23,790,000	\$ 25,175,000	\$ 4,820,000	\$ 5,115,000	\$ 28,610,000	\$ 30,290,000
Revenue bonds	-	-	24,200,000	25,240,000	24,200,000	25,240,000
Special assessment bonds	50,000	75,000	-	-	50,000	75,000
Total	\$ 23,840,000	\$ 25,250,000	\$ 29,020,000	\$ 30,355,000	\$ 52,860,000	\$ 55,605,000

The City's total bonded debt decreased by \$2,745,000 (4.9 percent) during the current fiscal year, with \$3.1 million of refunding debt issuances.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies:

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Water and wastewater revenue bonds	A3	A	A+
General obligation limited tax bonds	A1	A+	AA-
General obligation unlimited tax bonds	A1	A+	nr

nr – not rated

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$165,645,555, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-F. on pages 52-59 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- Marginal growth in the City's income tax due to reduction in personal exemptions and job growth.
- No growth in state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.

During the current fiscal year, unreserved undesignated fund balance in the general fund decreased by \$290,108 to \$7,538,742. The City has appropriated \$900,000 general fund unreserved fund balance for spending in the 2004-05 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 1717, Battle Creek, Michigan 49016-1717.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN
Statement of Net Assets
June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 35,067,252	\$ 16,431,934	\$ 51,499,186	\$ 13,190,583
Receivables	18,133,058	6,936,026	25,069,084	774,109
Receivables, long term portion	8,131,241	-	8,131,241	-
Internal balances	382,478	(382,478)	-	-
Inventories, prepaid items and other assets	618,653	1,409,748	2,028,401	101,271
Capital assets not being depreciated	324,709	3,703,302	4,028,011	11,107,218
Capital assets being depreciated, net	230,962,135	125,328,989	356,291,124	636,913
Total assets	<u>293,619,526</u>	<u>153,427,521</u>	<u>447,047,047</u>	<u>25,810,094</u>
Liabilities				
Accounts payable and accrued expenses	10,646,885	1,506,550	12,153,435	146,624
Accrued interest payable	316,870	393,653	710,523	549,156
Deferred revenue	637,571	177,286	814,857	-
Long-term liabilities:				
Due within one year	1,899,784	1,477,779	3,377,563	4,466,775
Due in more than one year	26,958,584	27,101,099	54,059,683	61,619,100
Total liabilities	<u>40,459,694</u>	<u>30,656,367</u>	<u>71,116,061</u>	<u>66,781,655</u>
Net assets				
Invested in capital assets, net of related debt	205,676,324	98,756,920	304,433,244	6,036,905
Restricted for:				
Debt service	1,041,626	-	1,041,626	397
Capital projects	2,062,846	-	2,062,846	10,876,374
Endowment - nonexpendable	2,123,533	-	2,123,533	-
Endowment - expendable	2,731,820	-	2,731,820	-
Other purposes	3,286,414	-	3,286,414	1,510,736
Unrestricted (deficit)	36,237,269	24,014,234	60,251,503	(59,395,973)
Total net assets (deficit)	<u>\$ 253,159,832</u>	<u>\$ 122,771,154</u>	<u>\$ 375,930,986</u>	<u>\$ (40,971,561)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 8,285,242	\$ 2,566,013	\$ 2,020,001	\$ -	\$ (3,699,228)
Public safety	25,996,442	2,245,589	35,482	-	(23,715,371)
Public works	2,263,112	248,740	48,428	-	(1,965,944)
Highways and streets	10,799,830	-	5,533,382	439,008	(4,827,440)
Parks and recreation	6,879,916	3,124,366	148,184	-	(3,607,366)
Community development	2,834,085	119,830	2,004,943	-	(709,312)
Interest on long-term debt	1,130,642	-	366,085	568,630	(195,927)
Total governmental activities	<u>58,189,269</u>	<u>8,304,538</u>	<u>10,156,505</u>	<u>1,007,638</u>	<u>(38,720,588)</u>
Business-type activities:					
Wastewater	14,090,224	9,975,535	-	-	(4,114,689)
Water	7,196,409	7,090,160	25,849	117,057	36,657
Public transit	4,064,196	391,899	2,811,768	-	(860,529)
Solid waste collection	2,103,397	2,171,931	-	-	68,534
Other	4,536,649	3,166,030	-	1,216,366	(154,253)
Total business-type activities	<u>31,990,875</u>	<u>22,795,555</u>	<u>2,837,617</u>	<u>1,333,423</u>	<u>(5,024,280)</u>
Total primary government	<u>\$ 90,180,144</u>	<u>\$ 31,100,093</u>	<u>\$ 12,994,122</u>	<u>\$ 2,341,061</u>	<u>\$ (43,744,868)</u>
Component units					
Community development	<u>\$ 11,361,291</u>	<u>\$ 84,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,276,921)</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (38,720,588)	\$ (5,024,280)	\$ (43,744,868)	\$ (11,276,921)
General revenues:				
Property taxes	12,764,779	-	12,764,779	17,063,144
Income taxes	12,679,119	-	12,679,119	-
Grants and contributions not restricted to specific programs	6,358,441	-	6,358,441	-
Unrestricted investment earnings	1,894,373	(430,829)	1,463,544	198,529
Transfers - internal activities	(357,307)	357,307	-	-
Total general revenues and transfers	<u>33,339,405</u>	<u>(73,522)</u>	<u>33,265,883</u>	<u>17,261,673</u>
Change in net assets	(5,381,183)	(5,097,802)	(10,478,985)	5,984,752
Net assets (deficit), beginning of year	<u>258,541,015</u>	<u>127,868,956</u>	<u>386,409,971</u>	<u>(46,956,313)</u>
Net assets (deficit), end of year	<u>\$ 253,159,832</u>	<u>\$ 122,771,154</u>	<u>\$ 375,930,986</u>	<u>\$ (40,971,561)</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CITY OF BATTLE CREEK, MICHIGAN

Balance Sheet Governmental Funds June 30, 2004

	General	Community Development	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets				
Pooled cash and investments	\$ 10,762,080	\$ -	\$ 14,141,730	\$ 24,903,810
Receivables:				
Interest	313,043	-	96,460	409,503
Accounts	3,823,108	-	1,006,606	4,829,714
Special assessments	-	-	70,916	70,916
Grants	36,922	608,042	216,167	861,131
Loans	8,753,441	2,699,518	-	11,452,959
Due from other funds	150,000	-	-	150,000
Inventories	14,583	-	-	14,583
Prepaid items	6,453	-	-	6,453
Interfund receivable	2,400,488	-	-	2,400,488
Other assets	-	-	35,932	35,932
<u>TOTAL ASSETS</u>	<u>\$ 26,260,118</u>	<u>\$ 3,307,560</u>	<u>\$ 15,567,811</u>	<u>\$ 45,135,489</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 3,031,046	\$ -	\$ 241,509	\$ 3,272,555
Accrued payroll	2,623,964	-	-	2,623,964
Retentions, deposits and other liabilities	142,002	2,586	232,931	377,519
Due to other funds	-	-	150,000	150,000
Interfund payable	-	605,456	206,220	811,676
Deferred revenue	8,933,807	2,699,518	473,459	12,106,784
Total liabilities	<u>14,730,819</u>	<u>3,307,560</u>	<u>1,304,119</u>	<u>19,342,498</u>
Fund balances				
Reserved:				
Reserved for inventories	14,583	-	-	14,583
Reserved for prepaid items	6,453	-	-	6,453
Reserved for encumbrances	320,309	-	61,634	381,943
Reserved for endowment	-	-	2,123,533	2,123,533
Unreserved:				
Designated for capital outlay	470,574	-	-	470,574
Designated for future departmental appropriations	2,278,638	-	-	2,278,638
Designated for subsequent year expenditures	900,000	-	-	900,000
Undesignated	7,538,742	-	-	7,538,742
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	4,485,357	4,485,357
Debt service funds	-	-	1,041,626	1,041,626
Capital projects funds	-	-	3,819,722	3,819,722
Permanent funds	-	-	2,731,820	2,731,820
Total fund balances	<u>11,529,299^N</u>	<u>-</u>	<u>14,263,692</u>	<u>25,792,991</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 26,260,118</u>	<u>\$ 3,307,560</u>	<u>\$ 15,567,811</u>	<u>\$ 45,135,489</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2004

Fund balances - total governmental funds	\$ 25,792,991
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	309,083,470
Deduct - accumulated depreciation	(80,544,099)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental internal service funds	7,492,307
Add - portion of internal service funds net operating loss attributed to business-type funds	382,478

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments	110,694
Add - loans receivable related to the sale of capital assets	8,694,441
Add - other loans receivable	2,738,518

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds, installment contracts and loans payable	(25,795,000)
Add - unamortized bond issuance costs	229,511
Deduct - premium on bonds	(45,031)
Add - receivable from other government for its share of bonds payable	8,584,270
Deduct - accrued interest on bonds, loans and leases payable	(316,870)
Deduct - compensated absences and other long-term liabilities	(3,247,848)

Net assets of governmental activities	\$ <u>253,159,832</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2004

	General	Community Development	Other Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 25,443,898	\$ -	\$ 25,780	\$ 25,469,678
Licenses and permits	1,020,676	-	-	1,020,676
Intergovernmental	6,393,923	1,547,080	6,910,133	14,851,136
Charges for services	3,212,899	-	1,844,848	5,057,747
Fines and forfeitures	227,640	-	-	227,640
Investment income	1,646,768	493	195,487	1,842,748
Other	1,965,889	111,573	1,571,808	3,649,270
Total revenue	39,911,693	1,659,146	10,548,056	52,118,895
Expenditures				
Current expenditures:				
General government	6,713,395	-	309,808	7,023,203
Public safety	24,658,069	-	940,558	25,598,627
Public works	1,956,879	-	-	1,956,879
Highway and streets	-	-	10,409,523	10,409,523
Parks and recreation	4,057,445	-	1,805,096	5,862,541
Community development	-	1,656,146	477,032	2,133,178
Unallocated	1,976,171	-	92,844	2,069,015
Debt service:				
Principal retirement	-	-	1,535,000	1,535,000
Interest	-	-	1,161,539	1,161,539
Capital outlay	-	-	595,425	595,425
Total expenditures	39,361,959	1,656,146	17,326,825	58,344,930
Revenue over (under) expenditures	549,734	3,000	(6,778,769)	(6,226,035)
Other financing sources (uses)				
Transfers in	551,529	-	5,700,972	6,252,501
Transfers from component units	1,178,423	-	-	1,178,423
Transfers out	(3,717,826)	(3,000)	(2,481,331)	(6,202,157)
Proceeds from sales of capital assets	439,309	-	-	439,309
Total other financing sources (uses)	(1,548,565)	(3,000)	3,219,641	1,668,076
Net change in fund balances	(998,831)	-	(3,559,128)	(4,557,959)
Fund balances, beginning of year	12,528,130	-	17,822,820	30,350,950
Fund balances, end of year	\$ 11,529,299	\$ -	\$ 14,263,692	\$ 25,792,991

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (4,557,959)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	6,128,057
Deduct - depreciation expense	(6,440,970)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Deduct - collections on special assessments	(24,196)
Deduct - collections on land contracts related to the sale of capital assets	(545,216)
Deduct - collections on loans made during prior years	(10,000)
Add - deferred revenues related to loans made during the current year	73,786

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	1,535,000
Add - amortization of premiums on bonds	5,003
Deduct - amount received from other government for its share of bond principal	(428,282)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Deduct - net operating loss from governmental activities in internal service funds	(546,963)
Add - interest revenue from governmental internal service funds	40,713
Deduct - interest expense from governmental internal service funds	(1,591)
Add - transfers received in governmental internal service funds	459,147
Deduct - transfers made from governmental internal services funds	(866,798)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	27,484
Deduct - increase in the accrual for compensated absences	(213,021)
Deduct - amortization of bond issuance costs	(15,377)

Change in net assets of governmental activities \$ (5,381,183)

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2004

Revenue	Budget		Actual	Actual Over (Under) Final Budget
	Original	Final		
Taxes				
City income	\$ 11,800,000	\$ 11,800,000	\$ 12,679,119	\$ 879,119
Real estate	10,180,185	10,180,185	10,198,452	18,267
Personal property	1,845,990	1,845,990	1,831,652	(14,338)
Administration fees	925,000	925,000	678,658	(246,342)
Other	45,200	45,200	56,017	10,817
Total taxes	24,796,375	24,796,375	25,443,898	647,523
Licenses and permits	1,173,300	1,179,113	1,020,676	(158,437)
Intergovernmental				
State-Shared - Statutory	2,646,332	2,646,332	2,830,159	183,827
State-Shared - Constitutional	3,475,668	3,475,668	3,496,147	20,479
Other	141,578	141,578	67,617	(73,961)
Total intergovernmental	6,263,578	6,263,578	6,393,923	130,345
Charges for services				
Parks and recreation	1,974,429	1,974,429	1,720,354	(254,075)
Police services	1,333,558	1,358,221	1,266,728	(91,493)
Emergency dispatch	225,637	225,637	225,817	180
Total charges for services	3,533,624	3,558,287	3,212,899	(345,388)
Fines and forfeitures	316,150	316,150	227,640	(88,510)
Investment income	1,665,172	1,665,172	1,646,768	(18,404)
Other				
Rent and leases	183,744	183,744	171,315	(12,429)
Miscellaneous and other	487,830	679,048	917,866	238,818
Administrative reimbursements	892,645	892,645	876,708	(15,937)
Total other revenue	1,564,219	1,755,437	1,965,889	210,452
Total revenue	39,312,418	39,534,112	39,911,693	377,581

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Year Ended June 30, 2004

Expenditures	Budget		Actual	Actual Over (Under) Final Budget
	Original	Final		
General government				
Administration:				
Mayor and city commission	\$ 72,149	\$ 107,377	\$ 109,695	\$ 2,318
City clerk	191,093	206,593	225,459	18,866
City manager	526,209	594,701	480,300	(114,401)
Neighborhood partnership	204,020	209,420	183,965	(25,455)
Neighborhood code compliance	98,380	136,968	125,841	(11,127)
Employee relations	180,209	205,209	206,115	906
Human resources	388,348	364,848	357,758	(7,090)
Labor attorney	20,000	20,000	1,801	(18,199)
Legal department	553,608	592,475	640,884	48,409
Elections	119,491	105,991	99,765	(6,226)
Civil service	94,584	94,584	59,206	(35,378)
Total administration	2,448,091	2,638,166	2,490,789	(147,377)
Community development:				
City planning	463,032	657,980	543,859	(114,121)
Assessing	580,105	727,137	668,482	(58,655)
Inspection	570,670	499,061	494,033	(5,028)
Housing board of appeals	2,750	2,750	3,290	540
Downtown special projects	150,000	150,000	162,500	12,500
Intermodal facility	60,244	60,328	61,847	1,519
Total community development	1,826,801	2,097,256	1,934,011	(163,245)
Finance:				
Accounting	754,458	868,331	813,526	(54,805)
Purchasing	327,624	331,409	309,772	(21,637)
Treasurer's office	465,565	474,782	405,536	(69,246)
City hall	328,893	392,131	261,357	(130,774)
Income tax division	507,771	508,704	498,225	(10,479)
Total finance	2,384,311	2,575,357	2,288,416	(286,941)
District court	-	-	179	179
Total general government	6,659,203	7,310,779	6,713,395	(597,384)

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Year Ended June 30, 2004

	Budget		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures (continued)				
Public safety				
Police department:				
Administration	\$ 270,674	\$ 495,476	\$ 497,328	\$ 1,852
Crime lab	510,777	556,046	557,838	1,792
Investigation	1,336,333	1,234,854	1,238,318	3,464
Neighborhood enforcement	187,750	186,979	187,724	745
Special investigative unit	364,046	392,574	393,981	1,407
Management service	880,339	932,446	932,738	292
Patrol	8,117,732	8,274,122	8,504,757	230,635
Community service	766,096	714,828	709,014	(5,814)
Officer training	297,346	211,336	210,860	(476)
Detention center	164,996	150,325	150,691	366
Homeland security	-	18,885	16,241	(2,644)
Total police department	12,896,089	13,167,871	13,399,490	231,619
Fire department:				
Administration	409,028	640,675	608,616	(32,059)
Dispatch	1,759,286	1,759,286	2,161,717	402,431
Fire fighting	7,912,222	7,933,554	8,359,168	425,614
Total fire department	10,080,536	10,333,515	11,129,501	795,986
Civil defense	105,224	128,981	129,078	97
Total public safety	23,081,849	23,630,367	24,658,069	1,027,702
Public works				
Public works director	50,459	73,352	52,829	(20,523)
Street and storm sewers	866,300	843,533	600,767	(242,766)
Engineering	134,825	136,970	83,026	(53,944)
Street lighting	955,000	955,000	972,243	17,243
Outside service	214,282	214,282	248,014	33,732
Total public works	2,220,866	2,223,137	1,956,879	(266,258)

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2004

	Budget		Actual	Actual Over (Under) Final Budget
	Original	Final		
Expenditures (concluded)				
Parks and recreation				
Administration	\$ 931,547	\$ 799,759	\$ 769,497	\$ (30,262)
Parks, buildings and maintenance	1,031,223	1,033,525	893,811	(139,714)
Downtown maintenance	330,260	334,366	413,759	79,393
Sports	860,186	873,773	686,739	(187,034)
Youth center and water park	1,417,216	1,438,741	1,293,639	(145,102)
Total parks and recreation	4,570,432	4,480,164	4,057,445	(422,719)
Unallocated				
Retirement benefits	150,000	150,000	208,155	58,155
Data processing	913,163	913,163	913,163	-
Other	994,393	853,628	854,853	1,225
Total unallocated	2,057,556	1,916,791	1,976,171	59,380
Total expenditures	38,589,906	39,561,238	39,361,959	(199,279)
Revenue over (under) expenditures	722,512	(27,126)	549,734	576,860
Other financing sources (uses)				
Transfers in	450,000	551,529	551,529	-
Transfers from component units	1,283,412	1,178,423	1,178,423	-
Transfers out	(3,643,837)	(3,824,728)	(3,717,826)	106,902
Proceeds from sales of capital assets	438,309	438,309	439,309	1,000
Total other financing (uses)	(1,472,116)	(1,656,467)	(1,548,565)	107,902
Net change in fund balances	(749,604)	(1,683,593)	(998,831)	684,762
Fund balance, beginning of year	12,528,130	12,528,130	12,528,130	-
Fund balance, end of year	\$ 11,778,526	\$ 10,844,537	\$ 11,529,299	\$ 684,762

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Development Special Revenue Fund
For the Year Ended June 30, 2004

	Budget			Actual	Over (Under)
	Original	Final			Final Budget
Revenues					
Intergovernmental revenue	\$1,757,700	\$ 3,192,616	\$ 1,547,080	\$	(1,645,536)
Interest	-	373	493		120
Loan collection and other	-	72,644	111,573		38,929
Total revenues	1,757,700	3,265,633	1,659,146		(1,606,487)
Expenditures					
Community development	1,754,700	3,262,633	1,656,146		(1,606,487)
Revenues over (under) expenditures	3,000	3,000	3,000		-
Other financing sources (uses)					
Transfers out	(3,000)	(3,000)	(3,000)		-
Net change in fund balances	-	-	-		-
Fund balances, beginning of year	-	-	-		-
Fund balances, end of year	\$ -	\$ -	\$ -	\$	-

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater System	Binder Park Golf Course	Other Enterprise Funds	Total	
Assets					
Current assets:					
Pooled cash and investments	\$ 9,399,107	\$ -	\$ 8,621,639	\$ 18,020,746	\$ 8,574,630
Receivables:					
Interest	67,926	3,017	49,638	120,581	39,074
Accounts	2,694,969	-	320,233	3,015,202	16,732
Special assessments	465,186	-	-	465,186	-
Grants	17,073	-	784,517	801,590	-
Loans	-	-	2,533,467	2,533,467	-
Due from other funds	1,099,872	-	-	1,099,872	-
Inventories	1,254,235	47,481	106,825	1,408,541	245,115
Prepaid items	1,040	-	167	1,207	316,570
Total current assets	<u>14,999,408</u>	<u>50,498</u>	<u>12,416,486</u>	<u>27,466,392</u>	<u>9,192,121</u>
Noncurrent assets:					
Capital assets, net	107,225,349	3,559,525	18,247,417	129,032,291	2,747,473
Unamortized bond issuance costs	1,683,271	-	13,222	1,696,493	-
Total noncurrent assets	<u>108,908,620</u>	<u>3,559,525</u>	<u>18,260,639</u>	<u>130,728,784</u>	<u>2,747,473</u>
Total assets	<u>123,908,028</u>	<u>3,610,023</u>	<u>30,677,125</u>	<u>158,195,176</u>	<u>11,939,594</u>
Liabilities					
Current liabilities:					
Accounts payable	283,123	10	378,867	662,000	-
Accrued payroll and compensated absences	329,276	2,742	138,542	470,560	203,387
Retentions, deposits and other liabilities	185,410	-	28,580	213,990	-
Accrued interest payable	312,416	57,225	24,012	393,653	-
Claims payable	-	-	-	-	4,169,460
Due to other funds	-	-	1,099,872	1,099,872	-
Interfund payable	-	576,954	1,011,858	1,588,812	-
Deferred revenue	83,515	17,220	76,551	177,286	74,440
Lease payable, current portion	-	-	57,779	57,779	-
Bonds payable, current portion	1,115,000	130,000	175,000	1,420,000	-
Total current liabilities	<u>2,308,740</u>	<u>784,151</u>	<u>2,991,061</u>	<u>6,083,952</u>	<u>4,447,287</u>
Noncurrent liabilities:					
Advances from component unit	-	-	160,000	160,000	-
Lease payable	-	-	529,806	529,806	-
Bonds payable	23,752,786	3,010,000	1,505,000	28,267,786	-
Total noncurrent liabilities	<u>23,752,786</u>	<u>3,010,000</u>	<u>2,194,806</u>	<u>28,957,592</u>	<u>-</u>
Total liabilities	<u>26,061,526</u>	<u>3,794,151</u>	<u>5,185,867</u>	<u>35,041,544</u>	<u>4,447,287</u>
Net assets					
Invested in capital assets, net of related debt	82,357,563	419,525	15,979,832	98,756,920	2,747,473
Unrestricted	15,488,939	(603,653)	9,511,426	24,396,712	4,744,834
Total net assets (deficit)	<u>\$ 97,846,502</u>	<u>\$ (184,128)</u>	<u>\$ 25,491,258</u>	<u>\$ 123,153,632</u>	<u>\$ 7,492,307</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of Net Assets on the Statement of
Net Assets for Enterprise Funds to Net Assets of
Business-type Activities on the Statement of Net Assets
June 30, 2004

Net assets - total enterprise funds	\$ 123,153,632
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Amounts reported for *business-type activities* in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Deduct - cumulative portion of internal service funds net operating loss attributed to business-type funds

(382,478)

Net assets of business-type activities

\$ 122,771,154

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater System	Binder Park Golf Course	Other Enterprise Funds	Total	
Operating revenues					
Charges for services	\$ 16,725,261	\$ 1,199,704	\$ 4,307,163	\$ 22,232,128	\$ 17,102,380
Other	340,434	16,648	211,089	568,171	248,621
Total operating revenues	17,065,695	1,216,352	4,518,252	22,800,299	17,351,001
Operating expenses					
Personal services	7,819,215	381,261	3,395,089	11,595,565	2,502,961
Materials and supplies	1,183,388	328,718	431,024	1,943,130	1,273,728
Contractual and other	4,738,903	275,740	3,945,544	8,960,187	12,919,552
Depreciation	6,277,986	147,679	1,510,188	7,935,853	1,380,174
Total operating expenses	20,019,492	1,133,398	9,281,845	30,434,735	18,076,415
Operating income (loss)	(2,953,797)	82,954	(4,763,593)	(7,634,436)	(725,414)
Nonoperating revenues (expenses)					
Intergovernmental subsidies	25,849	-	3,063,951	3,089,800	-
Interest income	(455,559)	6,475	11,393	(437,691)	40,713
Interest expense	(1,133,631)	(138,070)	(105,988)	(1,377,689)	(1,591)
Gain (loss) on sale of capital assets	-	-	2,118	2,118	-
Total nonoperating revenues (expenses)	(1,563,341)	(131,595)	2,971,474	1,276,538	39,122
Income (loss) before contributions and transfers	(4,517,138)	(48,641)	(1,792,119)	(6,357,898)	(686,292)
Capital contributions	-	-	964,183	964,183	-
Transfers in	35,020	-	915,677	950,697	459,147
Transfers from component unit	117,057	-	-	117,057	-
Transfers out	(322,305)	-	(271,085)	(593,390)	(866,798)
Change in net assets	(4,687,366)	(48,641)	(183,344)	(4,919,351)	(1,093,943)
Net assets (deficit), beginning of year	102,533,868	(135,487)	25,674,602	128,072,983	8,586,250
Net assets (deficit), end of year	\$ 97,846,502	\$ (184,128)	\$ 25,491,258	\$ 123,153,632	\$ 7,492,307

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Reconciliation of the Statement of Revenues, Expenses
and Changes in Fund Net Assets of Enterprise Funds
to the Statement of Activities
For the Year Ended June 30, 2004

Change in net assets - total enterprise funds	\$ (4,919,351)
--	-----------------------

Amounts reported for *business-type activities* in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Deduct - net operating loss from internal service funds related to enterprise funds	<u>(178,451)</u>
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Change in net assets of business-type activities	<u>\$ (5,097,802)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater System	Binder Park Golf Course	Other Enterprise Funds	Total	
Cash flows from operating activities					
Receipts from customers and users	\$ 17,550,011	\$ 1,217,347	\$ 4,318,674	\$ 23,086,032	\$ -
Net loans (made) collected	-	-	191,034	191,034	-
Receipts from interfund services	-	-	-	-	17,351,001
Payments to suppliers	(5,672,086)	(632,866)	(4,277,714)	(10,582,666)	(13,464,187)
Payments to employees	(7,848,263)	(381,261)	(3,377,632)	(11,607,156)	(2,475,339)
Payments for interfund services	287,967	124,566	(187,125)	225,408	-
Net cash provided by (used in) operating activities	4,317,629	327,786	(3,332,763)	1,312,652	1,411,475
Cash flows from non-capital financing activities					
Transfers in	152,077	-	915,677	1,067,754	459,147
Transfers out	(322,305)	-	(271,085)	(593,390)	(866,798)
Intergovernmental subsidies	20,362	-	3,278,939	3,299,301	-
Net cash provided by (used in) non-capital financing activities	(149,866)	-	3,923,531	3,773,665	(407,651)
Cash flows from capital and related financing activities					
Cash received on sale of capital assets	-	-	6,355	6,355	-
Proceeds of advances from component units	-	-	160,000	160,000	-
Proceeds from issuance of refunding bonds	3,190,372	-	-	3,190,372	-
Payment to refunded bond escrow agent	(3,183,295)	-	-	(3,183,295)	-
Payment of refunding debt issuance costs	(76,313)	-	-	(76,313)	-
Principal and interest paid on debt	(2,271,970)	(265,258)	(316,588)	(2,853,816)	-
Principal and interest paid on capital lease	-	-	(85,048)	(85,048)	(55,730)
Purchase of capital assets	(6,197,707)	(65,989)	(1,376,342)	(7,640,038)	(622,419)
Receipts from capital grants	-	-	650,619	650,619	-
Net cash provided by (used in) capital and related financing activities	(8,538,913)	(331,247)	(961,004)	(9,831,164)	(678,149)
Cash flows from investing activities					
Interest received on investments	(374,079)	3,461	24,041	(346,577)	68,046
Net increase (decrease) in cash and cash equivalents	(4,745,229)	-	(346,195)	(5,091,424)	393,721
Cash and cash equivalents					
Beginning of year	14,144,336	-	8,967,834	23,112,170	8,180,909
End of year	\$ 9,399,107	\$ -	\$ 8,621,639	\$ 18,020,746	\$ 8,574,630

Continued..

CITY OF BATTLE CREEK, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water & Wastewater System	Binder Park Golf Course	Other Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (2,953,797)	\$ 82,954	\$ (4,763,593)	\$ (7,634,436)	\$ (725,414)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	6,277,986	147,679	1,510,188	7,935,853	1,380,174
Amortization of bond issuance costs	112,489	-	788	113,277	-
Changes in assets and liabilities:					
Accounts receivable	318,052	-	5,743	323,795	(13,336)
Special assessments receivable	88,749	-	-	88,749	-
Loans receivable	-	-	191,034	191,034	-
Due from other funds	287,967	-	-	287,967	-
Inventories	50,716	(28,415)	(17,030)	5,271	(41,743)
Prepaid items	(470)	-	1,882	1,412	(71,632)
Accounts payable	67,831	7	84,634	152,472	-
Accrued payroll/compensated absences	(29,048)	-	17,457	(11,591)	27,622
Retentions, deposits and other liabilities	19,639	-	28,580	48,219	-
Due to other funds	-	-	(287,965)	(287,965)	-
Interfund payable	-	124,566	100,840	225,406	-
Deferred revenue	77,515	995	(205,321)	(126,811)	74,440
Claims payable	-	-	-	-	781,364
Net cash provided by (used in) operating activities	<u>\$ 4,317,629</u>	<u>\$ 327,786</u>	<u>\$ (3,332,763)</u>	<u>\$ 1,312,652</u>	<u>\$ 1,411,475</u>

Non-Cash Item - Investments:

As described in Note 1-D to the basic financial statements, the City maintains an investment pool for all funds. Accordingly, specific non-cash disclosures for changes in the fair value of investments in the proprietary funds are not determinable.

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Police and Fire Retirement System Trust Fund	Agency Funds
Assets		
Pooled cash and investments	\$ -	\$ 621,109
Cash and cash equivalents	3,625,889	-
Investments:		
Government obligations	16,579,765	-
Corporate bonds	21,955,855	-
Corporate stocks	43,578,086	-
International stocks	10,377,530	-
Interest receivable	465,972	-
Accounts receivable	75,155	-
Delinquent taxes receivable	-	2,525,769
Total assets	96,658,252	<u>\$ 3,146,878</u>
Liabilities		
Deposits and retentions payable	-	<u>\$ 3,146,878</u>
Net assets		
Held in trust for pension and postemployment healthcare benefits	<u>\$ 96,658,252</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Statement of Changes in Fiduciary Net Assets
Police and Fire Retirement System
For the Year Ended June 30, 2004

Additions		
Investment income:		
Net realized and unrealized appreciation in fair value of investments	\$	5,606,023
Interest and dividends		3,001,812
Less investment expenses		<u>(694,352)</u>
Net investment income		<u>7,913,483</u>
Contributions:		
Employer		2,720,559
Employees		<u>998,906</u>
Total contributions		<u>3,719,465</u>
Total additions		<u>11,632,948</u>
Deductions		
Pension benefit payments		4,991,522
Contribution refunds		141,260
Medical insurance premiums		1,745,710
Administrative expenses		<u>16,805</u>
Total deductions		<u>6,895,297</u>
Net additions (deductions) to net assets held in trust for benefits		
Employees' pension benefits	\$	4,901,157
Postemployment healthcare benefits		<u>(163,506)</u>
		4,737,651
Net assets held in trust for benefits, beginning of year		<u>91,920,601</u>
Net assets held in trust for benefits, end of year		
Reserved for employees' pension benefits	94,841,668	
Reserved for employees' postemployment healthcare benefits	<u>1,816,584</u>	\$ <u>96,658,252</u>

The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS
FINANCIAL STATEMENTS**

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Net Assets
Component Units
June 30, 2004

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority	Total
Assets					
Pooled cash and investments	\$ 1,970,583	\$ 102,787	\$ 11,092,309	\$ 24,904	\$ 13,190,583
Receivables, net	265,062	5,098	343,803	146	614,109
Prepaid items and other assets	101,271	-	-	-	101,271
Advance to primary government	-	-	160,000	-	160,000
Capital assets not being depreciated	-	-	11,107,218	-	11,107,218
Capital assets being depreciated, net	-	-	636,913	-	636,913
Total assets	2,336,916	107,885	23,340,243	25,050	25,810,094
Liabilities					
Accounts payable and accrued liabilities	145,726	-	-	-	145,726
Accrued interest payable	410,338	-	138,818	-	549,156
Other liabilities	-	-	898	-	898
Long-term liabilities:					
Due within one year	2,855,000	-	1,611,775	-	4,466,775
Due in more than one year	44,965,000	-	16,654,100	-	61,619,100
Total liabilities	48,376,064	-	18,405,591	-	66,781,655
Net assets					
Invested in capital assets, net of related debt	-	-	6,036,905	-	6,036,905
Restricted for debt service	162	-	235	-	397
Restricted for capital projects	-	46,648	10,829,726	-	10,876,374
Restricted for loan commitments and minority lending	1,510,736	-	-	-	1,510,736
Unrestricted (deficit)	(47,550,046)	61,237	(11,932,214)	25,050	(59,395,973)
Total net assets (deficit)	\$ (46,039,148)	\$ 107,885	\$ 4,934,652	\$ 25,050	\$ (40,971,561)

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2004

	Battle Creek Downtown Development Authority	Lakeview Downtown Development Authority	Battle Creek Tax Increment Financing Authority	Brownfield Redevelopment Authority	Total
Expenses					
Community development	\$ 3,410,037	\$ 1,841,342	\$6,109,912	\$ -	\$ 11,361,291
Program revenues					
Charges for services	22,344	-	62,026	-	84,370
Net program expense	3,387,693	1,841,342	6,047,886	-	11,276,921
General revenues					
Property taxes	6,254,124	1,814,315	8,977,145	17,560	17,063,144
Unrestricted investment earnings	13,406	11,190	173,439	494	198,529
Total general revenues	6,267,530	1,825,505	9,150,584	18,054	17,261,673
Change in net assets	2,879,837	(15,837)	3,102,698	18,054	5,984,752
Net assets (deficit), beginning of year	(48,918,985)	123,722	1,831,954	6,996	(46,956,313)
Net assets (deficit), end of year	\$ (46,039,148)	\$ 107,885	\$ 4,934,652	\$ 25,050	\$ (40,971,561)

The accompanying notes are an integral part of these financial statements.

CITY OF BATTLE CREEK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

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CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting Entity

The accompanying financial statements present the activities of the City of Battle Creek, Michigan (the "City" or "government") and its five component units, legally separate organizations for which the City is financially accountable. The activities of the Building Authority are so intertwined with the City that it is, in substance, the same as the City and, therefore, is blended and reported as if it were part of the City. The other four component units are not so intertwined and, therefore, are discretely presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units each have a June 30 year-end.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements Available</u>
Building Authority (BA); finances and constructs the City's public buildings	City Commission appoints and may remove BA board	Not prepared
Downtown Development Authority (DDA); corrects and prevents deterioration in the downtown district, encourages historical preservation and promotes economic growth within the district	City Commission appoints and may remove DDA board and approves DDA budget	Finance Department in City Hall
Lakeview Downtown Development Authority (LDDA); promotes development of the Lakeview district	City Commission appoints and may remove LDDA board and approves LDDA budget	Finance Department in City Hall
Tax Increment Financing Authority (TIFA); administers the Fort Custer Industrial Park development district	City Commission appoints and may remove TIFA board and approves TIFA budget	Finance Department in City Hall
Brownfield Redevelopment Authority (BRA); administers brownfield redevelopment projects	City Commission appoints and may remove BRA Board and approves BRA budget	Finance Department in City Hall

1-B. Basis of Presentation

Government-wide Financial Statements. The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community development fund. This fund accounts for grants under the Housing and Community Development Act of 1974, as amended. The Act provides for a series of grants over a period of years to be used for various community development activities.

The City reports the following major enterprise funds:

Water and wastewater system fund. This fund accounts for the activities of the City's water distribution, water treatment, sewage disposal and sewage treatment systems.

Binder Park golf course fund. This fund accounts for the operations of the City-owned golf course.

Additionally, the City reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Permanent funds. These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes machinery, equipment and building space management services; liability, auto, and workers' compensation self-insurance; information technology services; and printing, mailing and reproduction services.

Pension trust fund. This fund accounts for the activities of the Police and Fire Retirement System, which accumulates resources for retirement benefit payments to qualified employees.

Agency funds. These funds account for assets held for other governments in an agency capacity.

1-C. Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end, except for income tax revenue for which a 15-day collection period is used. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1-D. Assets, Liabilities and Equity

Deposits and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "pooled cash and investments." The cash resources of the Police and Fire Retirement System Trust Fund are invested separately. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value are recognized each year.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Receivables and Payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Certain notes receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Inventories, Prepaid Items and Other Assets

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. During the year, \$81,537 of net interest costs were capitalized in the Fiber Conduit enterprise fund.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings and building improvements	50
Public domain infrastructure	50
Water and wastewater system infrastructure	25-50
Vehicles	7-10
Office equipment	6-10
Machinery and equipment	3-10

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the City Commission for carry forward. The legal level of budgetary control is the fund level.

The City Commission requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Commission approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Commission in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2-B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a fund level basis, although budget and actual information in the fund financial statements have been presented at a level of detail greater than the level of legal budgetary control.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

During the year ended June 30, 2004, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the following non-major special revenue funds:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Local Street Fund	\$ 2,485,505	\$ 2,605,508	\$ 120,003
Public Safety Communications Fund	424,998	432,118	7,120
Kellogg Arena Fund	1,664,070	1,665,205	1,135

2-C. Deficit Fund Equity

The Binder Park golf course enterprise fund has an accumulated net asset deficit of \$184,128 at year end. A multi-year plan to eliminate the deficit has been developed by the City and approved by the State of Michigan.

NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

3-A. Deposits, Investments and Securities Lending

Summary of Deposit and Investment Balances. Following is a reconciliation of deposit and investment balances as of June 30, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Assets:			
Pooled cash and investments	\$ 51,499,186	\$ 13,190,583	\$ 64,689,769
Statement of Fiduciary Net Assets:			
Pooled cash and investments	621,109	-	621,109
Cash and cash equivalents	3,625,889	-	3,625,889
Investments	92,491,236	-	92,491,236
Total	<u>\$ 148,237,420</u>	<u>\$ 13,190,583</u>	<u>\$ 161,428,003</u>
Deposits and Investments:			
Bank deposits (checking accounts, savings accounts and CDs)			\$ 3,361,114
Investments in securities, mutual funds and similar vehicles			158,047,656
Cash on hand			19,233
Total			<u>\$ 161,428,003</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Deposits. At year end, the carrying amount of deposits was \$3,361,114. The bank balance was \$3,798,152. Of the bank balance, \$700,000 was covered by federal depository insurance. The remaining balance of \$3,098,152 was uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments and Securities Lending. The City's investments have been classified into the following three categories of credit risk: (1) insured or registered, or securities held by the government or its agent in the government's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

The following schedule classifies the City's investments as of June 30, 2004, into the above noted categories:

	<u>Category</u>				<u>Carrying Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Uncategorized</u>	
U.S. government securities:					
Not on securities loan	\$ -	\$ 54,449,328	\$ -	\$ -	\$ 54,449,328
On securities loan	-	3,562,802	-	-	3,562,802
Corporate bonds					
Not on securities loan	-	20,797,265	-	-	20,797,265
On securities loan	-	1,158,590	-	-	1,158,590
Corporate stocks:					
Not on securities loan	-	38,941,934	-	-	38,941,934
On securities loan	-	4,636,152	-	-	4,636,152
International stocks	-	10,377,530	-	-	10,377,530
Total investments	\$ -	\$ 133,923,601	\$ -	-	133,923,601
Mutual and cash management funds (uncategorized as to risk)				\$ 24,124,055	24,124,055
Total investments					\$ 158,047,656

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

A contract approved by the Board of the Police and Fire Retirement System permits the System to lend its securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

3-B. Receivables

Receivables in the governmental activities are 63.2 percent loans, 29.2 percent accounts receivables, 4.7 percent grants receivable, 2.5 percent accrued interest, and .4 percent special assessments. Business-type activities receivables are 43.5 percent due from customers, 11.6 percent grants, 6.7 percent special assessments, 36.5 percent loans, and 1.7 accrued interest.

Accounts receivable of the General Fund are reported net of an allowance for uncollectible accounts of \$160,783.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Land contract payments not yet due (general fund)	\$ 8,694,441	\$ -	\$ 8,694,441
Community development loans not yet due (special revenue and permanent funds)	2,699,518	-	2,699,518
Other loans not yet due (general fund)	39,000	-	39,000
Special assessments not yet due (debt service and permanent funds)	110,694	-	110,694
Customer deposits for future services/events (special revenue funds)	-	8,978	8,978
Payments received in advance	-	200,366	200,366
Grant drawdowns prior to meeting all eligibility requirements	-	353,787	353,787
	11,543,653	563,131	12,106,784
Deferred revenue reported by the government's internal service funds	-	74,440	74,440
	<u>\$ 11,543,653</u>	<u>\$ 637,571</u>	<u>\$ 12,181,224</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

3-C. Capital Assets

Capital assets activity for the year ended June 30, 2004, was as follows:

Primary government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated -				
Land	\$ 274,709	\$ 50,000	\$ -	\$ 324,709
Capital assets, being depreciated:				
Land improvements	6,671,114	-	-	6,671,114
Buildings	47,933,652	913,457	-	48,847,109
Vehicles	5,816,516	276,728	-	6,093,244
Equipment	20,667,679	433,823	-	21,101,502
Infrastructure	235,883,347	5,076,468	-	240,959,815
Total capital assets being depreciated	316,972,308	6,700,476	-	323,672,784
Less accumulated depreciation for:				
Land improvements	(1,971,851)	(133,422)	-	(2,105,273)
Buildings	(13,627,924)	(1,051,478)	-	(14,679,402)
Vehicles	(2,700,517)	(726,944)	-	(3,427,461)
Equipment	(16,836,893)	(1,090,103)	-	(17,926,996)
Infrastructure	(49,752,322)	(4,819,195)	-	(54,571,517)
Total accumulated depreciation	(84,889,507)	(7,821,142)	-	(92,710,649)
Total capital assets, being depreciated, net	232,082,801	(1,120,666)	-	230,962,135
Governmental activities capital assets, net	<u>\$ 232,357,510</u>	<u>\$ (1,070,666)</u>	<u>\$ -</u>	<u>\$ 231,286,844</u>
Business-type activities				
Capital assets, not being depreciated -				
Land	\$ 3,703,302	\$ -	\$ -	\$ 3,703,302
Capital assets, being depreciated:				
Land improvements	11,584,347	659,816	-	12,244,163
Buildings	40,863,778	806,301	-	41,670,079
Vehicles	6,908,502	356,835	-	7,265,337
Equipment	16,173,714	722,154	-	16,895,868
Systems	160,422,022	6,138,752	-	166,560,774
Total capital assets being depreciated	235,952,363	8,683,858	-	244,636,221
Less accumulated depreciation for:				
Land improvements	(8,624,400)	(219,656)	-	(8,844,056)
Buildings	(25,626,774)	(987,749)	-	(26,614,523)
Vehicles	(5,796,774)	(447,404)	-	(6,244,178)
Equipment	(9,727,855)	(952,187)	-	(10,680,042)
Systems	(61,595,574)	(5,328,859)	-	(66,924,433)
Total accumulated depreciation	(111,371,377)	(7,935,855)	-	(119,307,232)
Total capital assets, being depreciated, net	124,580,986	748,003	-	125,328,989
Business-type activities capital assets, net	<u>\$ 128,284,288</u>	<u>\$ 748,003</u>	<u>\$ -</u>	<u>\$ 129,032,291</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 224,075
Public safety	877,239
Public works, including depreciation of general infrastructure assets	5,042,961
Parks and recreation	296,693
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,380,174</u>

Total depreciation expense - governmental activities	<u>\$ 7,821,142</u>
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Business-type activities:

Wastewater	\$ 4,550,000
Water	1,727,986
Public transit	672,892
Solid waste	1,484
Other	<u>983,491</u>

Total depreciation expense - business-type activities	<u>\$ 7,935,853</u>
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The City has active construction projects as of June 30, 2004. The projects include construction of a new Department of Public Works facility (DPW facility) and the construction of additional wastewater treatment facilities. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
DPW facility	\$ 12,632,333	\$ 213,632
Wastewater treatment facilities	<u>15,932,613</u>	<u>6,110,506</u>
	<u>\$ 28,564,946</u>	<u>\$ 6,324,138</u>

The DPW facilities commitment is being financed by a Building Authority bond issue and cash contributions from various funds. The commitment for wastewater treatment facilities is being financed by revenue bonds secured by system revenues and cash on-hand.

In both instances, the portions of the completed projects have been placed in service; accordingly, no amounts are reported as construction-in-progress.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the TIFA for the year ended June 30, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated -				
Land	\$ 11,141,630	\$ -	\$ (34,412)	\$ 11,107,218
Capital assets, being depreciated:				
Land improvements	587,500	-	-	587,500
Buildings	278,190	-	-	278,190
Equipment	302,712	-	-	302,712
Total capital assets being depreciated	1,168,402	-	-	1,168,402
Less accumulated depreciation for:				
Land improvements	(105,750)	(11,750)	-	(117,500)
Buildings	(100,150)	(11,128)	-	(111,278)
Equipment	(272,440)	(30,271)	-	(302,711)
Total accumulated depreciation	(478,340)	(53,149)	-	(531,489)
Total capital assets, being depreciated, net	690,062	(53,149)	-	636,913
Governmental activities capital assets, net	\$ 11,831,692	\$ (53,149)	\$ (34,412)	\$ 11,744,131

3-D. Payables

Payables in the governmental activities are 37.3 percent vendors, 34.2 percent claims and 28.5 percent accrued payroll and compensated absences. Business-type activities payables are 34.9 percent accrued payroll and compensated absences, 52.6 percent vendors, and 12.5 percent deposits.

3-E. Interfund Receivables, Payables and Transfers

At June 30, 2004, the following amounts were payable to:

	General Fund	Water and Wastewater Fund
Community development fund	\$ 605,456	\$ -
Nonmajor governmental funds	356,220	-
Binder Park golf course fund	576,954	-
Nonmajor enterprise funds	1,011,858	1,099,872
	<u>\$ 2,550,488</u>	<u>\$ 1,099,872</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Also, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of Internal Service Funds.

For the year then ended, interfund transfers consisted of the following:

<u>Transfer out:</u>	<u>Transfer in:</u>						<u>Total</u>
	<u>General</u>	<u>Community Development Fund</u>	<u>Nonmajor Governmental</u>	<u>Water and Wastewater Fund</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service Funds</u>	
General fund	\$ -	\$ -	\$ 2,929,982	\$ -	\$ 650,008	\$ 137,836	\$ 3,717,826
Community development fund	-	-	-	-	-	3,000	3,000
Nonmajor governmental funds	490,200	-	1,971,811	-	16,020	3,300	2,481,331
Water and wastewater fund	-	-	3,560	35,020	-	283,725	322,305
Nonmajor enterprise funds	-	-	-	-	249,649	21,436	271,085
Internal service funds	61,329	-	795,619	-	-	9,850	866,798
	<u>\$ 551,529</u>	<u>\$ -</u>	<u>\$ 5,700,972</u>	<u>\$ 35,020</u>	<u>\$ 915,677</u>	<u>\$ 459,147</u>	<u>\$ 7,172,145</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3-F. Long-term Debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$36,745,000 for the primary government and \$3,940,000 for the discretely presented component units. During the year, no new general obligation bonds were issued.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1997 building authority refunding	4.95% - 5.13%	\$ 11,725,000
2002 building authority limited tax	4.50% - 4.75%	9,295,000
2003 transportation fund bonds	2.00% - 3.25%	<u>2,770,000</u>
		<u>\$ 23,790,000</u>
Business-type activities		
1998 building authority - golf course	4.20% - 4.50%	\$ 3,140,000
1999 building authority refunding - airport	3.85% - 4.70%	<u>1,680,000</u>
		<u>\$ 4,820,000</u>
Discretely presented component units		
1997 general obligation limited tax	5.00%	<u>\$ 2,855,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Governmental</u>		<u>Business-type</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,415,000	\$ 1,091,758	\$ 305,000	\$ 211,133	\$ 295,000	\$ 135,010
2006	1,465,000	1,031,208	320,000	198,585	310,000	119,885
2007	1,530,000	968,333	335,000	185,238	330,000	103,885
2008	1,600,000	902,433	350,000	171,070	345,000	87,010
2009	1,675,000	832,520	360,000	156,165	365,000	69,443
2010-2014	8,095,000	2,976,993	1,575,000	536,745	1,210,000	92,750
2015-2019	5,875,000	1,305,588	1,075,000	262,125	-	-
2020-2022	<u>2,135,000</u>	<u>206,388</u>	<u>500,000</u>	<u>33,975</u>	-	-
	<u>\$ 23,790,000</u>	<u>\$ 9,315,221</u>	<u>\$ 4,820,000</u>	<u>\$ 1,755,036</u>	<u>\$ 2,855,000</u>	<u>\$ 607,983</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Revenue bonds. The City and its discretely presented component units also issue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds issued in prior years for the items listed below was \$37,870,000 for the primary government and \$128,230,000 for the component units. During the year, revenue refunding bonds totaling \$3,145,000 were issued. Revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
1993 water supply system refunding	4.60% - 5.00%	\$ 425,000
1996 water supply system	4.90% - 7.90%	275,000
2001 water and wastewater system	4.00% - 4.63%	9,625,000
2003 water and wastewater refunding	2.00% - 5.00%	10,730,000
2004 water supply system refunding	2.00% - 3.50%	<u>3,145,000</u>
		<u>\$ 24,200,000</u>
Discretely presented component units		
1997 development refunding	4.65% - 6.00%	\$ 47,820,000
1997 development refunding	4.50% - 5.25%	<u>8,650,000</u>
		<u>\$ 56,470,000</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Business-type</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,115,000	\$ 1,115,000	\$ 3,510,000	\$ 2,895,505
2006	1,200,000	1,200,000	3,540,000	2,728,780
2007	1,235,000	1,235,000	2,890,000	2,524,085
2008	1,425,000	1,425,000	3,410,000	2,358,110
2009	1,465,000	1,465,000	3,515,000	2,187,610
2010-2014	8,290,000	8,290,000	21,040,000	7,995,180
2015-2019	7,310,000	1,175,394	17,955,000	2,736,444
2020-2022	<u>2,160,000</u>	<u>152,659</u>	<u>610,000</u>	<u>31,263</u>
	<u>\$ 24,200,000</u>	<u>\$ 9,000,954</u>	<u>\$ 56,470,000</u>	<u>\$ 23,456,977</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Special Assessment Debt. The City also issues bonds to finance certain public improvements that benefit specific districts. These districts are special assessed, at least in part, for the cost of the improvements. Under Michigan law, the City is secondarily liable for repayment of these bonds. The original amount of special assessment bonds issued in prior years for the item listed below was \$250,000. No special assessment bonds were issued during the current year. Special assessment bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1996 special assessment improvements	5.20% - 5.35%	<u>\$ 50,000</u>

Special assessment bond debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 25,000	\$ 2,663
2006	<u>25,000</u>	<u>1,337</u>
Total	<u>\$ 50,000</u>	<u>\$ 4,000</u>

Installment Obligations. The government has entered into various long-term installment payment agreements. The original amount of installment obligations issued in prior years for the items listed below was \$1,290,000 for the primary government and \$8,690,000 for the discretely presented component unit. No new installment obligations were entered into during the current year. Installment obligations outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
1996 fire fighting apparatus contract	4.80% - 5.10%	\$ 105,000
1998 fire fighting equipment contract	3.65% - 4.65%	<u>550,000</u>
		<u>\$ 655,000</u>
Discretely presented component unit		
1992 land contract	9.00%	<u>\$5,268,917</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for installment obligations are as follows:

	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 135,000	\$ 28,845	\$ 477,756	\$ 474,203
2006	140,000	22,883	520,755	431,204
2007	145,000	16,600	567,622	384,337
2008	115,000	10,813	618,708	333,251
2009	120,000	5,580	674,392	277,567
2010-2012	<u>-</u>	<u>-</u>	<u>2,409,684</u>	<u>446,187</u>
	<u>\$ 655,000</u>	<u>\$ 84,721</u>	<u>\$ 5,268,917</u>	<u>\$ 2,346,749</u>

Capital Lease. The government entered into two capital lease agreements for snow removal equipment and a snow blower. The original amounts of the lease obligations was \$648,721. Capital leases outstanding at year-end amounted to \$587,584.

Annual debt service requirements to maturity for the capital lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$ 57,779	\$ 27,269
2006	60,448	24,600
2007	63,240	21,808
2008	66,162	18,885
2009	69,220	15,828
2010-2014	<u>270,735</u>	<u>29,799</u>
	<u>\$ 587,584</u>	<u>\$ 138,189</u>

Loans Payable. The government entered into two loan agreements with the State of Michigan in the aggregate amount of \$1,300,000 for the development of a new cereal museum in the City. Both loans are interest-free and subject to repayment on a lump-sum basis after 10 and 15 years, respectively. Accordingly, \$900,000 will be payable during the fiscal year ending June 30, 2006 and \$400,000 during the fiscal year ending June 30, 2013.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

In addition, the TIFA (a discretely presented component unit) has borrowed from the Michigan Economic Development Corporation (MEDC) to fund certain economic development activities in the Fort Custer Industrial Park. The original amount of the loans as listed below was \$1,689,670. Loans outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Discretely presented component unit:		
Core communities loan	6.00%	\$ 918,640
Aviation and eLearning SmartZone	5.00%	<u>573,318</u>
		<u>\$1,491,958</u>

Annual debt service requirements to maturity for the MEDC loans are as follows:

	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 184,019	\$ 82,651
2006	193,800	72,870
2007	204,106	62,565
2008	214,961	51,707
2009	64,723	40,266
2010-2014	388,291	159,101
2015-2019	<u>242,058</u>	<u>38,232</u>
	<u>\$ 1,491,958</u>	<u>\$ 507,392</u>

While the City is ultimately obligated for the repayment of these loans, the TIFA (a discretely presented component unit) received and expended the loan proceeds and will be repaying the debt principal and interest. Accordingly, these loans payable are reported in the TIFA's financial statements.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Advance refundings. During the year, the City issued \$3,145,000 of revenue refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,085,000 bonds. As a result, the refunding bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$98,295. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. This advance refunding was undertaken to reduce total debt service payments over the next seven years by \$109,729 and resulted in an economic gain of \$98,035.

In prior years, the City defeased certain bonds by placing the proceeds of new bond issues in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2004, the following amounts of bonds outstanding are considered defeased:

Primary government	\$ 34,585,000
Component units:	
DDA	46,815,000
TIFA	<u>11,490,000</u>
Total	<u>\$ 92,890,000</u>

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities					
General obligation bonds	\$ 25,175,000	\$ -	\$ (1,385,000)	\$ 23,790,000	\$ 1,415,000
Special assessment bonds	75,000	-	(25,000)	50,000	25,000
Installment contracts	780,000	-	(125,000)	655,000	135,000
Loans payable	1,300,000	-	-	1,300,000	-
Capital leases	53,349	-	(53,349)	-	-
Compensated absences	3,034,827	516,503	(303,482)	3,247,848	324,784
Add (deduct) deferred amounts:					
For issuance costs	(244,888)	-	15,377	(229,511)	-
For issuance premiums	50,034	-	(5,003)	45,031	-
	<u>\$ 30,223,322</u>	<u>\$ 516,503</u>	<u>\$ (1,881,457)</u>	<u>\$ 28,858,368</u>	<u>\$ 1,899,784</u>
Business-type activities					
General obligation bonds	\$ 5,115,000	\$ -	\$ (295,000)	\$ 4,820,000	\$ 305,000
Revenue bonds	25,240,000	3,145,000	(4,185,000)	24,200,000	1,115,000
Capital leases	-	648,721	(61,137)	587,584	57,779
Add (deduct) deferred amounts:					
For issuance costs	(197,440)	(76,313)	26,089	(247,664)	-
For issuance discounts	(556,273)	-	60,003	(496,270)	-
For issuance premiums	681,303	45,372	(58,890)	667,785	-
On refunding	(940,662)	(98,295)	86,400	(952,557)	-
	<u>\$ 29,341,928</u>	<u>\$ 3,664,485</u>	<u>\$ (4,427,535)</u>	<u>\$ 28,578,878</u>	<u>\$ 1,477,779</u>
Component Units					
BDA					
Revenue bonds	\$ 50,565,000	\$ -	\$ (2,745,000)	\$ 47,820,000	\$ 2,855,000
TIFA					
General obligation bonds	\$ 3,135,000	\$ -	\$ (280,000)	\$ 2,855,000	\$ 295,000
Revenue bonds	9,325,000	-	(675,000)	8,650,000	655,000
Land contracts	5,707,226	-	(438,309)	5,268,917	477,756
Loans payable	1,666,695	-	(174,737)	1,491,958	184,019
	<u>\$ 19,833,921</u>	<u>\$ -</u>	<u>\$ (1,568,046)</u>	<u>\$ 18,265,875</u>	<u>\$ 1,611,775</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

3-G. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and wastewater system. Because the Water and Wastewater Fund, an individual fund that accounts entirely for the government's water and wastewater activities, is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

3-H. Endowments

Youth Center Endowment Permanent Trust Fund. For the year ended June 30, 2004, the net depreciation on investments of donor-restricted endowments was \$33,630. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the youth center. At year-end, accumulated available net appreciation of \$487,442 is reported in unrestricted net assets; the non-expendable endowment balance is \$1,500,000.

Kellogg Arena Endowment Permanent Trust Fund. For the year ended June 30, 2004, the net appreciation on investments of donor-restricted endowments was \$22,225. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Kellogg Arena. At year-end, accumulated available net appreciation of \$423,371 is reported in unrestricted net assets; the non-expendable endowment balance is \$623,533.

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical and death benefits provided to employees. The City has purchased commercial insurance for employee medical, dental, life, certain property exposures and excess workers' compensation claims. As of July 1, 1986, the City's general liability insurance was allowed to expire. As of September 1, 1999, the City carries excess liability coverage with limits of \$15 million in excess of self-insurance retention, and \$1 million per occurrence and \$2 million aggregate. Any occurrences prior to July 1, 1986 may be covered by comprehensive general liability policies previously maintained by the City. The City is insured for workers' compensation claims in excess of \$350,000 per occurrence. Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The City estimates its self-insured liability for workers' compensation and comprehensive general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared by the City's Risk Management Department and recorded in the Self-Insurance Internal Service Fund. Changes in the estimated liability for the fiscal years ended June 30 were as follows:

	<u>2004</u>	<u>2003</u>
Estimated liability, beginning of year	\$ 3,388,096	\$ 3,601,072
Estimated claims incurred, including changes in estimates	1,502,956	2,016,893
Claim payments	<u>(721,592)</u>	<u>(2,229,869)</u>
Estimated liability, end of year	<u>\$ 4,169,460</u>	<u>\$ 3,388,096</u>

4-B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Calhoun County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2003 levy, including industrial facilities and neighborhood enterprise zone properties, but net of renaissance zones, was \$1,476,644,026. The government's general operating tax rate for fiscal 2003-04 was 10.14 mills with an additional 2.86 mills for police and fire pension.

Property taxes for the DDA, LDDA, TIFA and BRA are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the DDA, LDDA and TIFA receive the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

4-D. Postemployment Benefits

The City provides health care benefits to certain full-time employees upon retirement, in accordance with labor agreements. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by police and fire participants and with contributions of varying amounts for other employees. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

Police and Fire. The obligation for police and fire personnel retiree health care is advance-funded through the Police and Fire Retirement System. At June 30, 2004, there were 207 active employees and 193 retirees eligible for benefits. Using the same actuarial cost method and assumptions as described for the Police and Fire Retirement System in the separately issued statements, the actuary has computed an actuarial liability of \$52,277,872. In accordance with this actuarial valuation, the City contributed \$1,103,010 to the plan during the past year (i.e., during the valuation year ended June 30, 2003). As of the June 30, 2003 valuation, there is \$1,980,223 in the retirement system available for retiree health care, and an unfunded liability of \$50,297,649.

Other City Employees. For all other City employees, expenditures for postemployment health care benefits are recognized as the insurance premiums become due. During the year, 133 retirees were eligible, resulting in expenditures of approximately \$208,155.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

4-E. Defined Benefit Pension Plans

Police and Fire Retirement System

The City of Battle Creek, Michigan Police and Fire Retirement System (the "System") is a single-employer defined benefit pension plan that provides retirement, health, disability and death benefits to all full-time police and fire personnel of the City. The System is administered by the Retirement Board of the City of Battle Creek, Michigan Police and Fire Retirement System. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the System at 10 North Division Street, Battle Creek, MI 49014.

The financial statements of the System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Administrative costs are financed through investment earnings.

Plan members are required to contribute between 7.5% to 8.0% of their annual covered wages to the System for pension benefits, depending on the bargaining unit. The City is required to contribute such additional amounts as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The City's pension contribution to the System for the year ended June 30, 2004 amounted to 10.56% of annual covered payroll, an additional 12.10% of annual covered payroll was contributed by the City for retiree healthcare benefits (*see Note 4-D.*).

Plan benefit provisions were established and may be amended under the authority of City Ordinances. Contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the System Retirement Board and City Commission.

The annual required contribution (ARC) for the year ended June 30, 2004 for pension was \$1,268,053. The ARC was made by the City. There was no net pension obligation at the beginning nor the end of the fiscal year.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

The annual required contribution was determined as part of an actuarial valuation of the System as of June 30, 2002 using the entry age actuarial method. The actuarial assumptions included: (1) a rate of return on investments of 7.0% per year compounded annually; (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (3) additional projected salary increases ranging from 0.0% to 4.0% per year, depending on age and service, attributable to seniority/merit; and (4) the assumption that pension benefits will not increase after retirement. The unfunded actuarial accrual liability is being amortized as a level percentage of payroll on a perpetual basis over a period of 10 years. The actuarial value of assets is determined using techniques that smooth the effects of short-term market volatility over a five-year period. The date of the latest actuarial valuation was June 30, 2003.

Three-Year Trend Information (pension only)

<u>Years Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2002	\$ 622,566	100%	\$ -
2003	468,005	100	-
2004	1,268,053	100	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

Municipal Employees Retirement System of Michigan

The City also participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate is 12.47% of annual covered payroll. City employees are required to contribute 0.0% to 2.5% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

CITY OF BATTLE CREEK, MICHIGAN

Notes To Financial Statements

For the year ended June 30, 2004, the City's annual pension cost of \$2,405,954 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 26 years.

Three-Year Trend Information

<u>Annual Years Ended June 30,</u>	<u>Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2002	\$2,214,997	100%	\$ -
2003	2,186,283	100	-
2004	2,405,954	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/01	\$59,488,390	\$76,271,131	\$16,782,741	78%	\$18,337,847	92%
12/31/02	61,264,130	80,336,233	19,072,103	76%	18,842,104	101%
12/31/03	65,724,348	86,671,937	20,947,589	76%	18,909,696	111%

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CITY OF BATTLE CREEK, MICHIGAN
Police and Fire Retirement System
Required Supplementary Information

Schedule of Funding Progress - Pension Only

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Over (Under) Funded AAL (OAAL/UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	OAAL/UAAL as a % of Covered Payroll
6/30/1994	\$ 54,518,169	\$ 54,341,554	\$ 176,615	100.3%	\$ 8,627,340	2.0%
6/30/1995	59,905,524	61,595,231	(1,689,707)	97.3%	9,103,643	-18.6%
6/30/1996	65,885,237	66,859,894	(974,657)	98.5%	9,834,167	-9.9%
6/30/1997	72,134,308	71,456,325	677,983	100.9%	10,039,322	6.8%
6/30/1998	79,796,431	74,796,184	5,000,247	106.7%	9,813,441	51.0%
6/30/1999	87,617,793	78,285,848	9,331,945	111.9%	9,749,682	95.7%
6/30/2000	95,548,441	83,980,778	11,567,663	113.8%	11,235,312	103.0%
6/30/2001	101,190,705	87,909,496	13,281,209	115.1%	11,615,098	114.3%
6/30/2002	103,950,731	95,368,883	8,581,848	109.0%	11,907,553	72.1%
6/30/2003	103,655,770	100,346,606	3,309,164	103.3%	11,855,130	27.9%

Schedule of Employer Contributions - Pension Only

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1995	\$ 1,413,069	100%
1996	1,451,506	100%
1997	1,672,926	100%
1998	1,908,106	100%
1999	1,337,217	100%
2000	1,059,179	100%
2001	732,366	100%
2002	622,566	100%
2003	468,005	100%
2004	1,268,053	100%

**COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES**

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>ASSETS</u>					
Assets					
Pooled cash and investments	\$ 4,383,307	\$ 1,103,170	\$ 3,775,367	\$ 4,879,886	\$ 14,141,730
Receivables:					
Interest	62,102	6,565	10,076	17,717	96,460
Accounts	1,006,606	-	-	-	1,006,606
Special assessments	-	24,278	-	46,638	70,916
Grants	167,739	-	48,428	-	216,167
Other assets	35,932	-	-	-	35,932
<u>TOTAL ASSETS</u>	<u>\$ 5,655,686</u>	<u>\$ 1,134,013</u>	<u>\$ 3,833,871</u>	<u>\$ 4,944,241</u>	<u>\$ 15,567,811</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 170,928	\$ 70,581	\$ -	\$ -	\$ 241,509
Retentions, deposits and other liabilities	218,782	-	14,149	-	232,931
Due to other funds	150,000	-	-	-	150,000
Interfund payable	206,220	-	-	-	206,220
Deferred revenue	362,765	21,806	-	88,888	473,459
Total liabilities	1,108,695	92,387	14,149	88,888	1,304,119
Fund balances					
Reserved for encumbrances	61,634	-	-	-	61,634
Reserved for endowment	-	-	-	2,123,533	2,123,533
Unreserved, undesignated	4,485,357	1,041,626	3,819,722	2,731,820	12,078,525
Total fund balances	4,546,991	1,041,626	3,819,722	4,855,353	14,263,692
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 5,655,686</u>	<u>\$ 1,134,013</u>	<u>\$ 3,833,871</u>	<u>\$ 4,944,241</u>	<u>\$ 15,567,811</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals
Revenues					
Taxes	\$ -	\$ 25,780	\$ -	\$ -	\$ 25,780
Intergovernmental	6,861,705	-	48,428	-	6,910,133
Charges for services	1,844,848	-	-	-	1,844,848
Investment income	117,215	36,320	53,357	(11,405)	195,487
Other	190,211	1,362,808	550	18,239	1,571,808
Total revenues	9,013,979	1,424,908	102,335	6,834	10,548,056
Expenditures					
Current expenditures:					
General government	309,808	-	-	-	309,808
Public safety	940,558	-	-	-	940,558
Highway and streets	5,696,616	-	4,712,907	-	10,409,523
Parks and recreation	1,805,096	-	-	-	1,805,096
Community development	477,032	-	-	-	477,032
Unallocated	-	-	-	92,844	92,844
Debt service:					
Principal	-	1,410,000	-	125,000	1,535,000
Interest	-	1,129,145	-	32,394	1,161,539
Capital outlay	-	-	595,425	-	595,425
Total expenditures	9,229,110	2,539,145	5,308,332	250,238	17,326,825
Revenues over (under) expenditures	(215,131)	(1,114,237)	(5,205,997)	(243,404)	(6,778,769)
Other financing sources (uses)					
Transfers in	1,184,473	1,148,630	3,115,099	252,770	5,700,972
Transfers out	(1,989,131)	-	(2,000)	(490,200)	(2,481,331)
Total other financing sources (uses)	(804,658)	1,148,630	3,113,099	(237,430)	3,219,641
Net change in fund balances	(1,019,789)	34,393	(2,092,898)	(480,834)	(3,559,128)
Fund balances, beginning of year	5,566,780	1,007,233	5,912,620	5,336,187	17,822,820
Fund balances, end of year	\$ 4,546,991	\$ 1,041,626	\$ 3,819,722	\$ 4,855,353	\$ 14,263,692

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2004

	Major Street and Trunkline Maintenance	Local Street	Special Grants	HOME Program
<u>ASSETS</u>				
Assets				
Pooled cash and investments	\$ 2,475,934	\$ -	\$ 455,480	\$ -
Receivables:				
Interest	38,352	22,693	-	-
Accounts	732,566	181,242	-	-
Grants	-	-	111,578	56,161
Other assets	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 3,246,852</u>	<u>\$ 203,935</u>	<u>\$ 567,058</u>	<u>\$ 56,161</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retentions, deposits and other liabilities	1,813	1,293	-	-
Due to other funds	-	-	-	-
Interfund payable	-	150,059	-	56,161
Deferred revenue	-	-	353,787	-
Total liabilities	<u>1,813</u>	<u>151,352</u>	<u>353,787</u>	<u>56,161</u>
Fund balances				
Reserved for encumbrances	11,208	-	-	-
Unreserved, undesignated	3,233,831	52,583	213,271	-
Total fund balances	<u>3,245,039</u>	<u>52,583</u>	<u>213,271</u>	<u>-</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 3,246,852</u>	<u>\$ 203,935</u>	<u>\$ 567,058</u>	<u>\$ 56,161</u>

<u>Michigan Justice Training</u>	<u>Narcotics Forfeiture</u>	<u>Public Safety Communications</u>	<u>Kellogg Arena</u>	<u>Total</u>
\$ 45,860	\$ 584,878	\$ 438,528	\$ 382,627	\$ 4,383,307
-	1,057	-	-	62,102
-	-	-	92,798	1,006,606
-	-	-	-	167,739
-	-	-	35,932	35,932
<u>\$ 45,860</u>	<u>\$ 585,935</u>	<u>\$ 438,528</u>	<u>\$ 511,357</u>	<u>\$ 5,655,686</u>
\$ -	\$ -	\$ -	\$ 170,928	\$ 170,928
-	215,676	-	-	218,782
-	150,000	-	-	150,000
-	-	-	-	206,220
-	-	-	8,978	362,765
-	<u>365,676</u>	-	<u>179,906</u>	<u>1,108,695</u>
-	50,426	-	-	61,634
<u>45,860</u>	<u>169,833</u>	<u>438,528</u>	<u>331,451</u>	<u>4,485,357</u>
<u>45,860</u>	<u>220,259</u>	<u>438,528</u>	<u>331,451</u>	<u>4,546,991</u>
<u>\$ 45,860</u>	<u>\$ 585,935</u>	<u>\$ 438,528</u>	<u>\$ 511,357</u>	<u>\$ 5,655,686</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2004

	Major Street and Trunkline Maintenance	Local Street	Special Grants	HOME Program
Revenues				
Intergovernmental	\$ 4,466,950	\$ 1,066,432	\$ 634,266	\$ 468,775
Charges for services	-	-	-	-
Interest	45,787	63,858	3,877	-
Contributions and donations	-	-	31,506	-
Loan collection (distribution) and other	301	1	128,724	8,257
Total revenues	<u>4,513,038</u>	<u>1,130,291</u>	<u>798,373</u>	<u>477,032</u>
Expenditures				
General government	-	-	219,897	-
Public safety	-	-	508,440	-
Highways and streets	3,091,108	2,605,508	-	-
Parks and recreation	-	-	139,891	-
Community development	-	-	-	477,032
Total expenditures	<u>3,091,108</u>	<u>2,605,508</u>	<u>868,228</u>	<u>477,032</u>
Revenues over (under) expenditures	<u>1,421,930</u>	<u>(1,475,217)</u>	<u>(69,855)</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	980,424	204,049	-
Transfers out	(1,855,096)	(117,659)	(16,376)	-
Total other financing sources (uses)	<u>(1,855,096)</u>	<u>862,765</u>	<u>187,673</u>	<u>-</u>
Net change in fund balances	<u>(433,166)</u>	<u>(612,452)</u>	<u>117,818</u>	<u>-</u>
Fund balances, beginning of year	<u>3,678,205</u>	<u>665,035</u>	<u>95,453</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,245,039</u>	<u>\$ 52,583</u>	<u>\$ 213,271</u>	<u>\$ -</u>

Michigan Justice Training	Narcotics Forfeiture	Public Safety Communications	Kellogg Arena	Total
\$ 26,444	\$ 87,944	\$ 35,894	\$ 75,000	\$ 6,861,705
-	-	439,574	1,405,274	1,844,848
-	3,693	-	-	117,215
-	-	-	-	31,506
-	21,422	-	-	158,705
<u>26,444</u>	<u>113,059</u>	<u>475,468</u>	<u>1,480,274</u>	<u>9,013,979</u>
24,978	64,933	-	-	309,808
-	-	432,118	-	940,558
-	-	-	-	5,696,616
-	-	-	1,665,205	1,805,096
-	-	-	-	477,032
<u>24,978</u>	<u>64,933</u>	<u>432,118</u>	<u>1,665,205</u>	<u>9,229,110</u>
<u>1,466</u>	<u>48,126</u>	<u>43,350</u>	<u>(184,931)</u>	<u>(215,131)</u>
-	-	-	-	1,184,473
-	-	-	-	(1,989,131)
-	-	-	-	(804,658)
1,466	48,126	43,350	(184,931)	(1,019,789)
<u>44,394</u>	<u>172,133</u>	<u>395,178</u>	<u>516,382</u>	<u>5,566,780</u>
<u>\$ 45,860</u>	<u>\$ 220,259</u>	<u>\$ 438,528</u>	<u>\$ 331,451</u>	<u>\$ 4,546,991</u>

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2004

	Major Street and Trunkline Maintenance Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 3,950,500	\$ 4,466,950	\$ 516,450
Charges for services	-	-	-
Interest	150,000	45,787	(104,213)
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	301	301
Total revenues	4,100,500	4,513,038	412,538
Expenditures			
General government	-	-	-
Public safety	-	-	-
Highways and streets	3,911,150	3,091,108	(820,042)
Parks and recreation	-	-	-
Community development	-	-	-
Total expenditures	3,911,150	3,091,108	(820,042)
Revenues over (under) expenditures	189,350	1,421,930	1,232,580
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(1,713,320)	(1,855,096)	(141,776)
Total other financing sources (uses)	(1,713,320)	(1,855,096)	(141,776)
Net change in fund balances	(1,523,970)	(433,166)	1,090,804
Fund balances, beginning of year	3,678,205	3,678,205	-
Fund balances (deficits), end of year	\$ 2,154,235	\$ 3,245,039	\$ 1,090,804

Local Street Fund			Special Grants Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 985,000	\$ 1,066,432	\$ 81,432	\$ 1,370,449	\$ 634,266	\$ (736,183)
-	-	-	-	-	-
75,000	63,858	(11,142)	3,877	3,877	-
-	-	-	80,746	31,506	(49,240)
-	1	1	65,326	128,724	63,398
<u>1,060,000</u>	<u>1,130,291</u>	<u>70,291</u>	<u>1,520,398</u>	<u>798,373</u>	<u>(722,025)</u>
-	-	-	570,225	219,897	(350,328)
-	-	-	1,081,231	508,440	(572,791)
2,485,505	2,605,508	120,003	-	-	-
-	-	-	209,402	139,891	(69,511)
-	-	-	-	-	-
<u>2,485,505</u>	<u>2,605,508</u>	<u>120,003</u>	<u>1,860,858</u>	<u>868,228</u>	<u>(992,630)</u>
<u>(1,425,505)</u>	<u>(1,475,217)</u>	<u>(49,712)</u>	<u>(340,460)</u>	<u>(69,855)</u>	<u>270,605</u>
955,000	980,424	25,424	244,284	204,049	(40,235)
<u>(239,000)</u>	<u>(117,659)</u>	<u>121,341</u>	<u>(16,376)</u>	<u>(16,376)</u>	<u>-</u>
<u>716,000</u>	<u>862,765</u>	<u>146,765</u>	<u>227,908</u>	<u>187,673</u>	<u>(40,235)</u>
<u>(709,505)</u>	<u>(612,452)</u>	<u>97,053</u>	<u>(112,552)</u>	<u>117,818</u>	<u>230,370</u>
<u>665,035</u>	<u>665,035</u>	<u>-</u>	<u>95,453</u>	<u>95,453</u>	<u>-</u>
<u>\$ (44,470)</u>	<u>\$ 52,583</u>	<u>\$ 97,053</u>	<u>\$ (17,099)</u>	<u>\$ 213,271</u>	<u>\$ 230,370</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2004

	HOME Program Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 1,118,460	\$ 468,775	\$ (649,685)
Charges for services	-	-	-
Interest	-	-	-
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	8,257	8,257
Total revenues	1,118,460	477,032	(641,428)
Expenditures			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	1,118,460	477,032	(641,428)
Total expenditures	1,118,460	477,032	(641,428)
Revenues over (under) expenditures	-	-	-
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

Michigan Justice Training Fund			Narcotics Forfeiture Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 26,000	\$ 26,444	\$ 444	\$ 29,000	\$ 87,944	\$ 58,944
-	-	-	-	-	-
-	-	-	-	3,693	3,693
-	-	-	-	-	-
-	-	-	183,000	21,422	(161,578)
26,000	26,444	444	212,000	113,059	(98,941)
26,000	24,978	(1,022)	326,626	64,933	(261,693)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26,000	24,978	(1,022)	326,626	64,933	(261,693)
-	1,466	1,466	(114,626)	48,126	162,752
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,466	1,466	(114,626)	48,126	162,752
44,394	44,394	-	172,133	172,133	-
\$ 44,394	\$ 45,860	\$ 1,466	\$ 57,507	\$ 220,259	\$ 162,752

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds (Concluded)
For the Year Ended June 30, 2004

	Public Safety Communications		
	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues			
Intergovernmental revenue	\$ 29,064	\$ 35,894	\$ 6,830
Charges for services	595,000	439,574	(155,426)
Interest	-	-	-
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	-	-
Total revenues	624,064	475,468	(148,596)
Expenditures			
General government	-	-	-
Public safety	424,998	432,118	7,120
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Total expenditures	424,998	432,118	7,120
Revenues over (under) expenditures	199,066	43,350	(155,716)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	199,066	43,350	(155,716)
Fund balances, beginning of year	395,178	395,178	-
Fund balances, end of year	\$ 594,244	\$ 438,528	\$ (155,716)

Kellogg Arena Fund

Final Budget	Actual	Actual Over (Under) Final Budget
\$ 75,000	\$ 75,000	\$ -
1,655,774	1,405,274	(250,500)
-	-	-
-	-	-
-	-	-
<u>1,730,774</u>	<u>1,480,274</u>	<u>(250,500)</u>
-	-	-
-	-	-
-	-	-
1,664,070	1,665,205	1,135
-	-	-
<u>1,664,070</u>	<u>1,665,205</u>	<u>1,135</u>
<u>66,704</u>	<u>(184,931)</u>	<u>(251,635)</u>
-	-	-
-	-	-
-	-	-
66,704	(184,931)	(251,635)
516,382	516,382	-
<u>\$ 583,086</u>	<u>\$ 331,451</u>	<u>\$ (251,635)</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Debt Service Funds
June 30, 2004

	<u>DPW Building</u>	<u>Building Authority Bonds</u>	<u>Special Assessment Debt Service</u>	<u>Michigan Transportation Fund Bonds Debt Service</u>	<u>Total</u>
<u>ASSETS</u>					
Assets					
Pooled cash and investments	\$ 106	\$ 4,479	\$ 1,097,235	\$ 1,350	\$ 1,103,170
Interest receivable	-	-	6,563	2	6,565
Special assessments receivable	-	-	24,278	-	24,278
<u>TOTAL ASSETS</u>	<u>\$ 106</u>	<u>\$ 4,479</u>	<u>\$ 1,128,076</u>	<u>\$ 1,352</u>	<u>\$ 1,134,013</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 70,581	\$ -	\$ 70,581
Deferred revenue	-	-	21,806	-	21,806
Total liabilities	-	-	92,387	-	92,387
Fund balances					
Unreserved, undesignated	106	4,479	1,035,689	1,352	1,041,626
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 106</u>	<u>\$ 4,479</u>	<u>\$ 1,128,076</u>	<u>\$ 1,352</u>	<u>\$ 1,134,013</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Debt Service Funds
For the Year Ended June 30, 2004

	<u>DPW Building</u>	<u>Building Authority Bonds</u>	<u>Special Assessment Debt Service</u>	<u>Michigan Transportation Fund Bonds Debt Service</u>	<u>Total</u>
Revenues					
Special assessment collections	\$ -	\$ -	\$ 25,780	\$ -	\$ 25,780
Interest	1	194	35,713	412	36,320
Local sources	-	1,362,808	-	-	1,362,808
Total revenues	<u>1</u>	<u>1,363,002</u>	<u>61,493</u>	<u>412</u>	<u>1,424,908</u>
Expenditures					
Debt service:					
Principal retirement	350,000	735,000	25,000	300,000	1,410,000
Interest	445,619	627,870	3,585	52,071	1,129,145
Total expenditures	<u>795,619</u>	<u>1,362,870</u>	<u>28,585</u>	<u>352,071</u>	<u>2,539,145</u>
Revenues (under) expenditures	(795,618)	132	32,908	(351,659)	(1,114,237)
Other financing sources					
Transfers in	795,619	-	-	353,011	1,148,630
Net change in fund balances	<u>1</u>	<u>132</u>	<u>32,908</u>	<u>1,352</u>	<u>34,393</u>
Fund balances, beginning of year	105	4,347	1,002,781	-	1,007,233
Fund balances, end of year	<u>\$ 106</u>	<u>\$ 4,479</u>	<u>\$ 1,035,689</u>	<u>\$ 1,352</u>	<u>\$ 1,041,626</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Capital Projects Funds
June 30, 2004

	<u>Major Street Projects</u>	<u>Local Street Projects</u>	<u>DPW Building Construction</u>	<u>Justice Center Construction</u>	<u>Total</u>
<u>ASSETS</u>					
Assets					
Pooled cash and investments	\$ 20,837	\$ 2,007,730	\$ 1,740,850	\$ 5,950	\$ 3,775,367
Receivables:					
Interest	-	-	10,041	35	10,076
Grants	-	48,428	-	-	48,428
<u>TOTAL ASSETS</u>	<u>\$ 20,837</u>	<u>\$ 2,056,158</u>	<u>\$ 1,750,891</u>	<u>\$ 5,985</u>	<u>\$ 3,833,871</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Retentions, deposits and other liabilities	\$ 2,368	\$ 11,781	\$ -	\$ -	\$ 14,149
Fund balances					
Unreserved, undesignated	18,469	2,044,377	1,750,891	5,985	3,819,722
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 20,837</u>	<u>\$ 2,056,158</u>	<u>\$ 1,750,891</u>	<u>\$ 5,985</u>	<u>\$ 3,833,871</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenue, Expenditures and
Changes in Fund Balance - Nonmajor Capital Projects Funds
For the Year Ended June 30, 2004

	<u>Major Street Projects</u>	<u>Local Street Projects</u>	<u>DPW Building Construction</u>	<u>Justice Center Construction</u>	<u>Total</u>
Revenue					
Intergovernmental	\$ -	\$ 48,428	\$ -	\$ -	\$ 48,428
Investment income	-	-	53,370	(13)	53,357
Other	400	150	-	-	550
Total revenue	<u>400</u>	<u>48,578</u>	<u>53,370</u>	<u>(13)</u>	<u>102,335</u>
Expenditures					
Highways and streets	1,666,514	3,046,393	-	-	4,712,907
Capital outlay	-	-	595,425	-	595,425
Total expenditures	<u>1,666,514</u>	<u>3,046,393</u>	<u>595,425</u>	<u>-</u>	<u>5,308,332</u>
Revenue over (under) expenditures	<u>(1,666,114)</u>	<u>(2,997,815)</u>	<u>(542,055)</u>	<u>(13)</u>	<u>(5,205,997)</u>
Other financing sources (uses)					
Transfers in	1,420,000	1,695,099	-	-	3,115,099
Transfers out	-	(2,000)	-	-	(2,000)
Total other financing sources	<u>1,420,000</u>	<u>1,693,099</u>	<u>-</u>	<u>-</u>	<u>3,113,099</u>
Net change in fund balances	<u>(246,114)</u>	<u>(1,304,716)</u>	<u>(542,055)</u>	<u>(13)</u>	<u>(2,092,898)</u>
Fund balances, beginning of year	<u>264,583</u>	<u>3,349,093</u>	<u>2,292,946</u>	<u>5,998</u>	<u>5,912,620</u>
Fund balances, end of year	<u>\$ 18,469</u>	<u>\$ 2,044,377</u>	<u>\$ 1,750,891</u>	<u>\$ 5,985</u>	<u>\$ 3,819,722</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Balance Sheet - Nonmajor Permanent Funds
June 30, 2004

	<u>Youth Center Endowment</u>	<u>Kellogg Arena Endowment</u>	<u>Special Project Reserves</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Pooled cash and investments	\$ 1,975,838	\$ 1,040,791	\$ 1,863,257	\$ 4,879,886
Interest receivable	11,604	6,113	-	17,717
Special assessments receivable	-	-	46,638	46,638
<u>TOTAL ASSETS</u>	<u>\$ 1,987,442</u>	<u>\$ 1,046,904</u>	<u>\$ 1,909,895</u>	<u>\$ 4,944,241</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Deferred revenue	\$ -	\$ -	\$ 88,888	\$ 88,888
Fund balances				
Reserved:				
Youth Center	1,500,000	-	-	1,500,000
Kellogg Arena	-	623,533	-	623,533
Unreserved, undesignated	487,442	423,371	1,821,007	2,731,820
Total fund balances	1,987,442	1,046,904	1,821,007	4,855,353
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,987,442</u>	<u>\$ 1,046,904</u>	<u>\$ 1,909,895</u>	<u>\$ 4,944,241</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Permanent Funds
For the Year Ended June 30, 2004

	<u>Youth Center Endowment</u>	<u>Kellogg Arena Endowment</u>	<u>Special Project Reserves</u>	<u>Total</u>
Revenues				
Investment income (loss)	\$ (33,630)	\$ 22,225	\$ -	\$ (11,405)
Other	-	-	18,239	18,239
Total revenues	<u>(33,630)</u>	<u>22,225</u>	<u>18,239</u>	<u>6,834</u>
Expenditures				
Unallocated	-	-	92,844	92,844
Debt service:				
Principal	-	-	125,000	125,000
Interest	-	-	32,394	32,394
Total expenditures	<u>-</u>	<u>-</u>	<u>250,238</u>	<u>250,238</u>
Revenues over (under) expenditures	(33,630)	22,225	(231,999)	(243,404)
Other financing sources (uses)				
Transfers in	-	-	252,770	252,770
Transfers out	-	-	(490,200)	(490,200)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(237,430)</u>	<u>(237,430)</u>
Net change in fund balances	(33,630)	22,225	(469,429)	(480,834)
Fund balances, beginning of year	2,021,072	1,024,679	2,290,436	5,336,187
Fund balances, end of year	<u>\$ 1,987,442</u>	<u>\$ 1,046,904</u>	<u>\$ 1,821,007</u>	<u>\$ 4,855,353</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Net Assets - Nonmajor Enterprise Funds
June 30, 2004

	<u>W.K. Kellogg Airport</u>	<u>Automobile Parking System</u>	<u>FAA</u>	<u>Battle Creek Transit System</u>
Assets				
Current assets:				
Pooled cash and investments	\$ 200,633	\$ 656,675	\$ 388,212	\$ -
Receivables:				
Interest	-	3,857	-	-
Accounts	23,090	-	-	-
Grants	-	-	-	784,517
Loans	-	-	-	-
Inventories	-	-	-	106,825
Prepaid items	167	-	-	-
Total current assets	<u>223,890</u>	<u>660,532</u>	<u>388,212</u>	<u>891,342</u>
Noncurrent assets:				
Capital assets, net	3,341,722	8,053,394	2,297,030	2,840,067
Unamortized bond issuance costs	-	-	13,222	-
Total noncurrent assets	<u>3,341,722</u>	<u>8,053,394</u>	<u>2,310,252</u>	<u>2,840,067</u>
Total assets	<u>3,565,612</u>	<u>8,713,926</u>	<u>2,698,464</u>	<u>3,731,409</u>
Liabilities				
Current liabilities:				
Accounts payable	1,840	-	-	-
Accrued payroll and compensated absences	36,945	-	-	87,675
Other liabilities	24,643	-	3,937	-
Accrued interest payable	3,043	-	18,448	-
Due to other funds	-	-	-	-
Interfund payable	-	-	-	673,460
Deferred revenue	41,600	-	34,951	-
Current portion of lease payable	57,779	-	-	-
Current portion of bonds payable	-	-	175,000	-
Total current liabilities	<u>165,850</u>	<u>-</u>	<u>232,336</u>	<u>761,135</u>
Noncurrent liabilities -				
Advance from component unit	-	-	160,000	-
Leases payable	529,806	-	-	-
Bonds payable	-	-	1,505,000	-
Total liabilities	<u>695,656</u>	<u>-</u>	<u>1,897,336</u>	<u>761,135</u>
Net assets				
Invested in capital assets, net of related debt	2,754,137	8,053,394	617,030	2,840,067
Unrestricted	<u>115,819</u>	<u>660,532</u>	<u>184,098</u>	<u>130,207</u>
Total net assets	<u>\$ 2,869,956</u>	<u>\$ 8,713,926</u>	<u>\$ 801,128</u>	<u>\$ 2,970,274</u>

<u>Solid Waste Collection</u>	<u>Economic Development</u>	<u>Fiber Conduit</u>	<u>Total</u>
\$ 114,862	\$ 7,261,257	\$ -	\$ 8,621,639
383	45,291	107	49,638
151,417	145,726	-	320,233
-	-	-	784,517
-	2,533,467	-	2,533,467
-	-	-	106,825
-	-	-	167
<u>266,662</u>	<u>9,985,741</u>	<u>107</u>	<u>12,416,486</u>
2,225	-	1,712,979	18,247,417
-	-	-	13,222
<u>2,225</u>	<u>-</u>	<u>1,712,979</u>	<u>18,260,639</u>
<u>268,887</u>	<u>9,985,741</u>	<u>1,713,086</u>	<u>30,677,125</u>
-	377,027	-	378,867
13,922	-	-	138,542
-	-	-	28,580
-	-	2,521	24,012
-	-	1,099,872	1,099,872
-	-	338,398	1,011,858
-	-	-	76,551
-	-	-	57,779
-	-	-	175,000
<u>13,922</u>	<u>377,027</u>	<u>1,440,791</u>	<u>2,991,061</u>
-	-	-	160,000
-	-	-	529,806
-	-	-	1,505,000
<u>13,922</u>	<u>377,027</u>	<u>1,440,791</u>	<u>5,185,867</u>
2,225	-	1,712,979	15,979,832
<u>252,740</u>	<u>9,608,714</u>	<u>(1,440,684)</u>	<u>9,511,426</u>
<u>\$ 254,965</u>	<u>\$ 9,608,714</u>	<u>\$ 272,295</u>	<u>\$ 25,491,258</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets - Nonmajor Enterprise Funds
For the Year Ended June 30, 2004

	<u>W.K. Kellogg Airport</u>	<u>Automobile Parking System</u>	<u>FAA</u>	<u>Battle Creek Transit System</u>
Operating revenues				
Charges for services	\$ 692,998	\$ 689,162	\$ 385,710	\$ 387,529
Other	17,993	-	100	4,370
Total operating revenues	<u>710,991</u>	<u>689,162</u>	<u>385,810</u>	<u>391,899</u>
Operating expenses				
Personal services	680,659	-	6,692	2,553,438
Materials and supplies	83,092	-	339	329,220
Contractual and other	302,064	986,363	44,238	484,729
Depreciation	316,142	351,533	127,378	672,892
Total operating expenses	<u>1,381,957</u>	<u>1,337,896</u>	<u>178,647</u>	<u>4,040,279</u>
Operating income (loss)	<u>(670,966)</u>	<u>(648,734)</u>	<u>207,163</u>	<u>(3,648,380)</u>
Non-operating revenues (expenses)				
Intergovernmental subsidies	252,183	-	-	2,811,768
Interest income	4,177	(2,012)	795	-
Interest expense	(26,954)	-	(79,034)	-
Gain on sale of fixed assets	2,118	-	-	-
Total non-operating revenues (expenses)	<u>231,524</u>	<u>(2,012)</u>	<u>(78,239)</u>	<u>2,811,768</u>
Income (loss) before contributions and transfers	<u>(439,442)</u>	<u>(650,746)</u>	<u>128,924</u>	<u>(836,612)</u>
Capital contributions	650,619	-	-	-
Transfers in	-	69,840	249,649	596,188
Transfers out	<u>(5,875)</u>	<u>(1,000)</u>	<u>(250,449)</u>	<u>(4,500)</u>
Change in net assets	<u>205,302</u>	<u>(581,906)</u>	<u>128,124</u>	<u>(244,924)</u>
Net assets, beginning of year	<u>2,664,654</u>	<u>9,295,832</u>	<u>673,004</u>	<u>3,215,198</u>
Net assets, end of year	<u>\$ 2,869,956</u>	<u>\$ 8,713,926</u>	<u>\$ 801,128</u>	<u>\$ 2,970,274</u>

<u>Solid Waste Collection</u>	<u>Economic Development</u>	<u>Fiber Conduit</u>	<u>Total</u>
\$ 2,151,764	\$ -	\$ -	\$ 4,307,163
20,167	168,459	-	211,089
<u>2,171,931</u>	<u>168,459</u>	<u>-</u>	<u>4,518,252</u>
154,343	-	(43)	3,395,089
18,373	-	-	431,024
1,927,925	199,672	553	3,945,544
1,484	-	40,759	1,510,188
<u>2,102,125</u>	<u>199,672</u>	<u>41,269</u>	<u>9,281,845</u>
<u>69,806</u>	<u>(31,213)</u>	<u>(41,269)</u>	<u>(4,763,593)</u>
-	-	-	3,063,951
2,040	6,393	-	11,393
-	-	-	(105,988)
-	-	-	2,118
<u>2,040</u>	<u>6,393</u>	<u>-</u>	<u>2,971,474</u>
71,846	(24,820)	(41,269)	(1,792,119)
-	-	313,564	964,183
-	-	-	915,677
<u>(9,261)</u>	<u>-</u>	<u>-</u>	<u>(271,085)</u>
62,585	(24,820)	272,295	(183,344)
<u>192,380</u>	<u>9,633,534</u>	<u>-</u>	<u>25,674,602</u>
<u>\$ 254,965</u>	<u>\$ 9,608,714</u>	<u>\$ 272,295</u>	<u>\$ 25,491,258</u>

CITY OF BATTLE CREEK, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2004

	W.K. Kellogg Airport	Automobile Parking System	FAA	Battle Creek Transit System
Cash flows from operating activities				
Receipts from customers and users	\$ 470,284	\$ 688,677	\$ 420,761	\$ 395,219
Net loans (made) collected	-	-	-	-
Payments to suppliers and contractors	(360,426)	(984,680)	(40,420)	(832,687)
Payments to employees	(678,973)	-	(6,692)	(2,540,494)
Payments for interfund services	-	-	-	(237,558)
Net cash provided by (used in) operating activities	<u>(569,115)</u>	<u>(296,003)</u>	<u>373,649</u>	<u>(3,215,520)</u>
Cash flows from non-capital financing activities				
Transfers in	-	69,840	249,649	596,188
Transfers out	(5,875)	(1,000)	(250,449)	(4,500)
Intergovernmental subsidies	252,183	-	-	3,026,756
Net cash provided by (used in) non-capital financing activities	<u>246,308</u>	<u>68,840</u>	<u>(800)</u>	<u>3,618,444</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	6,355	-	-	-
Proceeds of advances from component units	-	-	160,000	-
Principal and interest paid on long-term debt	-	-	(250,713)	-
Principal and interest paid on capital lease	(85,048)	-	-	-
Purchase of capital assets	(539,452)	-	(235,238)	(402,924)
Receipts from capital grants	650,619	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>32,474</u>	<u>-</u>	<u>(325,951)</u>	<u>(402,924)</u>
Cash flows from investing activities				
Interest received on investments	4,180	1,257	796	-
Net increase (decrease) in pooled cash and investments	<u>(286,153)</u>	<u>(225,906)</u>	<u>47,694</u>	<u>-</u>
Pooled cash and investments, beginning of year	486,786	882,581	340,518	-
Pooled cash and investments, end of year	<u>\$ 200,633</u>	<u>\$ 656,675</u>	<u>\$ 388,212</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (670,966)	\$ (648,734)	\$ 207,163	\$ (3,648,380)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	316,142	351,533	127,378	672,892
Amortization of bond issuance costs	-	-	788	-
Changes in assets and liabilities:				
Accounts receivable	(2,118)	1,198	-	3,320
Loans receivable	-	-	-	-
Inventories	-	-	-	(17,030)
Prepaid items	-	1,683	89	110
Accounts payable	87	-	(657)	(1,818)
Accrued payroll and compensated absences	1,686	-	-	12,944
Retentions, deposits and other liabilities	24,643	-	3,937	-
Due to other funds	-	-	-	-
Interfund payable	-	-	-	(237,558)
Deferred revenue	(238,589)	(1,683)	34,951	-
Net cash provided by (used in) operating activities	<u>\$ (569,115)</u>	<u>\$ (296,003)</u>	<u>\$ 373,649</u>	<u>\$ (3,215,520)</u>

<u>Solid Waste Collection</u>	<u>Economic Development</u>	<u>Fiber Conduit</u>	<u>Total</u>
\$ 2,171,274	\$ 172,459	\$ -	\$ 4,318,674
-	191,034	-	191,034
(1,946,298)	(112,650)	(553)	(4,277,714)
(151,516)	-	43	(3,377,632)
-	-	50,433	(187,125)
<u>73,460</u>	<u>250,843</u>	<u>49,923</u>	<u>(3,332,763)</u>
-	-	-	915,677
(9,261)	-	-	(271,085)
-	-	-	3,278,939
<u>(9,261)</u>	<u>-</u>	<u>-</u>	<u>3,923,531</u>
-	-	-	6,355
-	-	-	160,000
-	-	(65,875)	(316,588)
-	-	-	(85,048)
-	-	(198,728)	(1,376,342)
-	-	-	650,619
-	-	(264,603)	(961,004)
<u>1,928</u>	<u>27,949</u>	<u>(12,069)</u>	<u>24,041</u>
66,127	278,792	(226,749)	(346,195)
<u>48,735</u>	<u>6,982,465</u>	<u>226,749</u>	<u>8,967,834</u>
<u>\$ 114,862</u>	<u>\$ 7,261,257</u>	<u>\$ -</u>	<u>\$ 8,621,639</u>
\$ 69,806	\$ (31,213)	\$ (41,269)	\$ (4,763,593)
1,484	-	40,759	1,510,188
-	-	-	788
(657)	4,000	-	5,743
-	191,034	-	191,034
-	-	-	(17,030)
-	-	-	1,882
-	87,022	-	84,634
2,827	-	-	17,457
-	-	-	28,580
-	-	(287,965)	(287,965)
-	-	338,398	100,840
-	-	-	(205,321)
<u>\$ 73,460</u>	<u>\$ 250,843</u>	<u>\$ 49,923</u>	<u>\$ (3,332,763)</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	<u>Equipment Center</u>	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Reproduction</u>	<u>Total</u>
Assets					
Current assets:					
Pooled cash and investments	\$ 2,164,985	\$ 5,433,396	\$ 536,557	\$ 439,692	\$ 8,574,630
Interest receivable	-	39,074	-	-	39,074
Accounts receivable	-	16,732	-	-	16,732
Inventories	244,184	-	931	-	245,115
Prepaid items	-	316,196	374	-	316,570
Total current assets	2,409,169	5,805,398	537,862	439,692	9,192,121
Noncurrent assets:					
Capital assets, net	1,917,790	-	817,828	11,855	2,747,473
Total assets	4,326,959	5,805,398	1,355,690	451,547	11,939,594
Liabilities					
Current liabilities:					
Accrued payroll and compensated absences	66,693	58,340	56,751	21,603	203,387
Deferred revenue	-	67,219	7,221	-	74,440
Claims payable	-	4,169,460	-	-	4,169,460
Total current liabilities	66,693	4,295,019	63,972	21,603	4,447,287
Net assets					
Invested in capital assets, net of related debt	1,917,790	-	817,828	11,855	2,747,473
Unrestricted	2,342,476	1,510,379	473,890	418,089	4,744,834
Total net assets	\$ 4,260,266	\$ 1,510,379	\$ 1,291,718	\$ 429,944	\$ 7,492,307

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	<u>Equipment Center</u>	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Reproduction</u>	<u>Total</u>
Operating revenues					
Charges for services	\$ 4,325,545	\$ 11,319,282	\$ 1,119,772	\$ 337,781	\$ 17,102,380
Other	247,801	557	-	263	248,621
Total operating revenues	<u>4,573,346</u>	<u>11,319,839</u>	<u>1,119,772</u>	<u>338,044</u>	<u>17,351,001</u>
Operating expenses					
Personal services	1,279,668	280,340	735,786	207,167	2,502,961
Materials and supplies	1,046,723	7,664	110,564	108,777	1,273,728
Contractual and other	846,772	11,290,390	712,432	69,958	12,919,552
Depreciation	1,131,669	-	237,397	11,108	1,380,174
Total operating expenses	<u>4,304,832</u>	<u>11,578,394</u>	<u>1,796,179</u>	<u>397,010</u>	<u>18,076,415</u>
Operating income (loss)	<u>268,514</u>	<u>(258,555)</u>	<u>(676,407)</u>	<u>(58,966)</u>	<u>(725,414)</u>
Nonoperating revenues (expenses)					
Interest income	-	40,713	-	-	40,713
Interest expense	-	-	(1,591)	-	(1,591)
Total nonoperating revenues (expenses)	<u>-</u>	<u>40,713</u>	<u>(1,591)</u>	<u>-</u>	<u>39,122</u>
Loss before transfers	<u>268,514</u>	<u>(217,842)</u>	<u>(677,998)</u>	<u>(58,966)</u>	<u>(686,292)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>374,212</u>	<u>84,935</u>	<u>459,147</u>
Transfers out	<u>(802,869)</u>	<u>(2,150)</u>	<u>-</u>	<u>(61,779)</u>	<u>(866,798)</u>
Change in net assets	<u>(534,355)</u>	<u>(219,992)</u>	<u>(303,786)</u>	<u>(35,810)</u>	<u>(1,093,943)</u>
Net assets, beginning of year	<u>4,794,621</u>	<u>1,730,371</u>	<u>1,595,504</u>	<u>465,754</u>	<u>8,586,250</u>
Net assets, end of year	<u>\$ 4,260,266</u>	<u>\$ 1,510,379</u>	<u>\$ 1,291,718</u>	<u>\$ 429,944</u>	<u>\$ 7,492,307</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004

	Equipment Center	Self- Insurance	Information Services	Reproduction	Total
Cash flows from operating activities					
Receipts from interfund services	\$ 4,573,346	\$ 11,319,839	\$ 1,119,772	\$ 338,044	\$ 17,351,001
Payments to suppliers/claimants	(1,934,488)	(10,540,801)	(813,559)	(175,339)	(13,464,187)
Payments to employees	(1,272,058)	(272,681)	(728,471)	(202,129)	(2,475,339)
Net cash provided by (used in) operating activities	1,366,800	506,357	(422,258)	(39,424)	1,411,475
Cash flows from non-capital financing activities					
Transfers in	-	-	374,212	84,935	459,147
Transfers out	(802,869)	(2,150)	-	(61,779)	(866,798)
Net cash provided by (used in) non-capital financing activities	(802,869)	(2,150)	374,212	23,156	(407,651)
Cash flows from capital and related financing activities					
Principal and interest paid on capital lease	-	-	(55,730)	-	(55,730)
Purchase of capital assets	(265,316)	-	(357,103)	-	(622,419)
Net cash used in capital and related financing activities	(265,316)	-	(412,833)	-	(678,149)
Cash flows from investing activities					
Interest received on investments	-	68,046	-	-	68,046
Net increase (decrease) in pooled cash and investments	298,615	572,253	(460,879)	(16,268)	393,721
Pooled cash and investments, beginning of year	1,866,370	4,861,143	997,436	455,960	8,180,909
Pooled cash and investments, end of year	\$ 2,164,985	\$ 5,433,396	\$ 536,557	\$ 439,692	\$ 8,574,630
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 268,514	\$ (258,555)	\$ (676,407)	\$ (58,966)	\$ (725,414)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	1,131,669	-	237,397	11,108	1,380,174
Changes in assets and liabilities:					
Accounts receivable	-	(16,732)	-	3,396	(13,336)
Inventories	(41,743)	-	-	-	(41,743)
Prepaid items	750	(74,598)	2,216	-	(71,632)
Accrued payroll/compensated absences	7,610	7,659	7,315	5,038	27,622
Deferred revenue	-	67,219	7,221	-	74,440
Claims payable	-	781,364	-	-	781,364
Net cash provided by (used in) operating activities	\$ 1,366,800	\$ 506,357	\$ (422,258)	\$ (39,424)	\$ 1,411,475

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2004

	<u>Contractors' Retention</u>	<u>Delinquent Personal Property Taxes</u>	<u>Summer Property Tax Collection</u>	<u>Winter Property Tax Collection</u>	<u>Total</u>
Assets					
Pooled cash and investments	\$ 606,117	\$ 14,992	\$ -	\$ -	\$ 621,109
Delinquent taxes receivable	-	2,525,769	-	-	2,525,769
Total assets	<u>\$ 606,117</u>	<u>\$ 2,540,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,146,878</u>
Liabilities					
Deposits and retentions payable	<u>\$ 606,117</u>	<u>\$ 2,540,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,146,878</u>

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
<u>CONTRACTOR'S RETENTION</u>				
Assets				
Pooled cash and investments	\$ 669,885	\$ 493,581	\$ 557,349	\$ 606,117
Liabilities				
Deposits and retentions payable	\$ 669,885	\$ 493,581	\$ 557,349	\$ 606,117
<u>DELINQUENT PERSONAL PROPERTY TAXES</u>				
Assets				
Pooled cash and investments	\$ 11,404	\$ 36,664	\$ 33,076	\$ 14,992
Delinquent taxes receivable	2,071,675	1,500,258	1,046,164	2,525,769
	<u>\$ 2,083,079</u>	<u>\$ 1,536,922</u>	<u>\$ 1,079,240</u>	<u>\$ 2,540,761</u>
Liabilities				
Deposits and retentions payable	\$ 2,083,079	\$ 1,536,922	\$ 1,079,240	\$ 2,540,761
<u>SUMMER PROPERTY TAX COLLECTION</u>				
Assets				
Pooled cash and investments	\$ -	\$ 65,292	\$ 65,292	\$ -
Due from other funds	-	45,591,254	45,591,254	-
Total assets	<u>\$ -</u>	<u>\$ 45,656,546</u>	<u>\$ 45,656,546</u>	<u>\$ -</u>
Liabilities				
Deposits and retentions payable	\$ -	\$ 45,656,546	\$ 45,656,546	\$ -

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Concluded)
For the Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
<u>WINTER PROPERTY TAX COLLECTION</u>				
Assets				
Pooled cash and investments	\$ -	\$ 42,785	\$ 42,785	\$ -
Due from other funds	-	26,083,419	26,083,419	-
Total assets	<u>\$ -</u>	<u>\$ 26,126,204</u>	<u>\$ 26,126,204</u>	<u>\$ -</u>
Liabilities				
Deposits and retentions payable	<u>\$ -</u>	<u>\$ 26,126,204</u>	<u>\$ 26,126,204</u>	<u>\$ -</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets				
Pooled cash and investments	\$ 681,289	\$ 638,322	\$ 698,502	\$ 621,109
Delinquent taxes receivable	2,071,675	1,500,258	1,046,164	2,525,769
Due from other funds	-	71,674,673	71,674,673	-
Total assets	<u>\$ 2,752,964</u>	<u>\$ 73,813,253</u>	<u>\$ 73,419,339</u>	<u>\$ 3,146,878</u>
Liabilities				
Deposits and retentions payable	<u>\$ 2,752,964</u>	<u>\$ 73,813,253</u>	<u>\$ 73,419,339</u>	<u>\$ 3,146,878</u>

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Capital Assets Used in the Operation of Governmental Funds
By Source
June 30, 2004

Capital assets used in the operation of governmental funds

Land	\$ 293,001
Land improvements	6,671,114
Buildings and improvements	48,312,304
Machinery and equipment	9,967,318
Vehicles	2,879,917
	<hr/>
Total capital assets used in the operation of governmental funds	<u>\$ 68,123,654</u>

Investment in general capital assets by source:

Funding prior to July 1, 1998	\$ 52,619,170
Funding subsequent to July 1, 1998:	
General fund	2,026,673
Special Revenue funds	1,185,283
Capital Projects funds	12,234,349
Proprietary funds	58,179
	<hr/>
Total investment in capital assets used in the operation of governmental funds	<u>\$ 68,123,654</u>

This schedule presents only the capital asset balances related to governmental funds, excluding infrastructure. Accordingly, the capital assets reported in the internal service funds are also excluded from the above amounts. The capital assets of the internal service funds along with infrastructure are included as governmental activities in the statement of net assets.

CITY OF BATTLE CREEK, MICHIGAN

Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds By Function and Activity For the Year Ended June 30, 2004

Function and Activity	Balance July 1, 2003	Additions	Deletions	Reclass	Balance June 30, 2004
Municipal buildings and facilities					
City Hall	\$ 4,403,647	\$ -	\$ -	\$ -	\$ 4,403,647
Public Safety Building	2,834,563	76,720	-	-	2,911,283
Fire Stations:					
Station #1	2,772,263	-	-	-	2,772,263
Station #2	619,737	-	-	-	619,737
Station #3	392,437	-	-	-	392,437
Station #4	891,856	-	-	-	891,856
Station #5	401,327	-	-	-	401,327
Station #6	556,449	-	-	-	556,449
Maintenance	336,029	-	-	-	336,029
Old Hall of Justice	362,160	-	-	-	362,160
DPW Field Services	472,019	-	-	-	472,019
DPW Building	63,163	-	-	-	63,163
DPW Salt Storage	62,176	-	-	-	62,176
DPW Building (new)	11,684,537	607,991	-	-	12,292,528
City Hall Parking Lot	197,489	-	-	-	197,489
Riverwalk Parking Lot	681,480	-	-	-	681,480
Evidence Storage Building	-	305,466	-	-	305,466
Other properties	674,286	61,412	-	-	735,698
Parks and recreational facilities					
Bailey Park	5,879,356	-	-	-	5,879,356
Linear Park	4,421,021	-	-	-	4,421,021
Kellogg Arena	13,404,955	-	-	-	13,404,955
Ice Rink	2,003,434	-	-	-	2,003,434
Full Blast Center	11,369,476	-	-	-	11,369,476
Other parks and recreational facilities	2,588,205	-	-	-	2,588,205
	67,072,065	1,051,589	-	-	68,123,654
Construction in progress	-	-	-	-	-
Total	\$ 67,072,065	\$ 1,051,589	\$ -	\$ -	\$ 68,123,654

This schedule presents only the capital asset balances related to governmental funds, excluding infrastructure. Accordingly, the capital assets reported in the internal service funds are also excluded from the above amounts. The capital assets of the internal service funds along with infrastructure are included as governmental activities in the statement of net assets.

CITY OF BATTLE CREEK, MICHIGAN
Schedule of Capital Assets Used in the Operation of Governmental Funds By Function and Activity
June 30, 2004

Function and Activity	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Vehicles	Total
Municipal buildings and facilities						
City Hall	\$ 3,267	\$ 27,566	\$ 1,120,196	\$ 3,252,618	\$ -	\$ 4,403,647
Public Safety Building	1,089	-	1,491,236	1,418,958	-	2,911,283
Fire Stations:						
Station #1	2,644	-	1,327,398	39,834	1,402,387	2,772,263
Station #2	1,763	-	299,184	16,830	301,960	619,737
Station #3	1,763	-	209,434	15,741	165,499	392,437
Station #4	1,763	-	248,125	103,697	538,271	891,856
Station #5	1,763	-	89,562	11,502	298,500	401,327
Station #6	1,763	-	392,798	-	161,888	556,449
Maintenance	1,763	-	213,309	120,957	-	336,029
Old Hall of Justice	1,089	-	361,071	-	-	362,160
DPW Field Services	7,605	-	397,352	67,062	-	472,019
DPW Building	-	-	63,163	-	-	63,163
DPW Salt Storage	1,901	-	60,275	-	-	62,176
DPW Building (new)	-	-	12,024,909	267,619	-	12,292,528
City Hall Parking Lot	1,089	57,680	-	138,720	-	197,489
Riverwalk Parking Lot	12,972	668,508	-	-	-	681,480
Evidence Storage Building	-	-	305,466	-	-	305,466
Other properties	78,025	-	446,631	199,630	11,412	735,698
Parks and recreational facilities						
Bailey Park	17,102	1,496,339	3,342,243	1,023,672	-	5,879,356
Linear Park	-	4,421,021	-	-	-	4,421,021
Kellogg Arena	-	-	12,439,248	965,707	-	13,404,955
Ice Rink	14,260	-	1,491,880	497,294	-	2,003,434
Full Blast Center	37,786	-	10,612,456	719,234	-	11,369,476
Other parks and recreational facilities	103,594	-	1,376,368	1,108,243	-	2,588,205
	<u>\$ 293,001</u>	<u>\$ 6,671,114</u>	<u>\$ 48,312,304</u>	<u>\$ 9,967,318</u>	<u>\$ 2,879,917</u>	<u>\$ 68,123,654</u>

This schedule presents only the capital asset balances related to governmental funds, excluding infrastructure. Accordingly, the capital assets reported in the internal service funds are also excluded from the above amounts. The capital assets of the internal service funds along with infrastructure are included as governmental activities in the statement of net assets.

**COMPARATIVE SCHEDULES OF
BONDED INDEBTEDNESS**

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government
June 30, 2004

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Principal Outstanding</u>	
				<u>June 30, 2004</u>	<u>June 30, 2003</u>
<u>Enterprise Funds</u>					
<u>Revenue Bonds:</u>					
1993 Water Supply System Revenue Refunding Bonds					
Date of issue - October 21, 1993					
Amount of issue - \$5,750,000					
(maturities after 9/1/04 advance refunded)					
	4.600	9/1/2003	\$ 405,000	\$ -	\$ 405,000
	4.700	9/1/2004	425,000	425,000	425,000
	4.800	9/1/2005	450,000	-	450,000
	4.900	9/1/2006	470,000	-	470,000
	5.000	9/1/2007	495,000	-	495,000
	4.750	9/1/2008	525,000	-	525,000
	4.750	9/1/2009	555,000	-	555,000
	4.750	9/1/2010	590,000	-	590,000
				<u>425,000</u>	<u>3,915,000</u>
1996 Water Supply System					
Date of issue - November 1, 1996					
Amount of issue - \$12,430,000					
(maturities after 9/1/04 advance refunded)					
	7.900	9/1/2003	\$ 255,000	\$ -	\$ 255,000
	4.900	9/1/2004	275,000	275,000	275,000
				<u>275,000</u>	<u>530,000</u>

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government (Continued)
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30, 2004	June 30, 2003
<u>Enterprise Funds (continued)</u>					
<u>Revenue Bonds: (continued)</u>					
2001 Water & Wastewater System					
Date of issue- December 1, 2001					
Amount of issue- \$10,000,000					
	4.000	9/1/2003	\$ 375,000	\$ -	\$ 375,000
	4.000	9/1/2004	380,000	380,000	380,000
	4.000	9/1/2005	395,000	395,000	395,000
	4.125	9/1/2006	405,000	405,000	405,000
	4.500	9/1/2007	420,000	420,000	420,000
	4.500	9/1/2008	435,000	435,000	435,000
	4.500	9/1/2009	450,000	450,000	450,000
	4.500	9/1/2010	465,000	465,000	465,000
	4.500	9/1/2011	485,000	485,000	485,000
	4.500	9/1/2012	505,000	505,000	505,000
	4.500	9/1/2013	525,000	525,000	525,000
	4.500	9/1/2014	550,000	550,000	550,000
	4.500	9/1/2015	570,000	570,000	570,000
	4.500	9/1/2016	600,000	600,000	600,000
	4.500	9/1/2017	625,000	625,000	625,000
	4.500	9/1/2018	655,000	655,000	655,000
	4.500	9/1/2019	685,000	685,000	685,000
	4.625	9/1/2020	720,000	720,000	720,000
	4.625	9/1/2021	755,000	755,000	755,000
				9,625,000	10,000,000

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government (Continued)
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30, 2004	June 30, 2003
<u>Enterprise Funds (continued)</u>					
<u>Revenue Bonds; (concluded)</u>					
2003 Water & Wastewater System Refunding					
Date of issue- March 27, 2003					
Amount of issue- \$10,795,000					
	2.000	9/1/2003	\$ 65,000	\$ -	\$ 65,000
	2.000	9/1/2004	35,000	35,000	35,000
	2.000	9/1/2005	320,000	320,000	320,000
	2.000	9/1/2006	330,000	330,000	330,000
	2.375	9/1/2007	495,000	495,000	495,000
	2.750	9/1/2008	505,000	505,000	505,000
	3.000	9/1/2009	520,000	520,000	520,000
	4.000	9/1/2010	535,000	535,000	535,000
	4.000	9/1/2011	1,170,000	1,170,000	1,170,000
	4.000	9/1/2012	1,225,000	1,225,000	1,225,000
	5.000	9/1/2013	1,285,000	1,285,000	1,285,000
	5.000	9/1/2014	1,360,000	1,360,000	1,360,000
	5.000	9/1/2015	1,440,000	1,440,000	1,440,000
	5.000	9/1/2016	1,510,000	1,510,000	1,510,000
				<u>10,730,000</u>	<u>10,795,000</u>
2004 Water and Wastewater System Revenue Refunding Bonds					
Date of issue - June 1, 2004					
Amount of issue - \$3,145,000					
	2.000	9/1/2005	\$ 485,000	\$ 485,000	\$ -
	2.500	9/1/2006	500,000	500,000	-
	2.750	9/1/2007	510,000	510,000	-
	3.000	9/1/2008	525,000	525,000	-
	3.250	9/1/2009	550,000	550,000	-
	3.500	9/1/2010	575,000	575,000	-
				<u>3,145,000</u>	<u>-</u>
Total Enterprise Funds revenue bonds				<u>\$ 24,200,000</u>	<u>\$ 25,240,000</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government (Continued)
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30, 2004	June 30, 2003
<u>Enterprise Funds (continued)</u>					
<u>General Obligation Bonds:</u>					
1998 Building Authority Bonds - Golf Course					
Date of issue - 12/1/98					
Amount of issue - \$3,500,000					
	4.200%	2/1/2003	\$ 125,000	\$ -	\$ 125,000
	4.200%	2/1/2004	130,000	130,000	130,000
	4.200%	2/1/2005	135,000	135,000	135,000
	4.200%	2/1/2006	140,000	140,000	140,000
	4.200%	2/1/2007	145,000	145,000	145,000
	4.200%	2/1/2008	150,000	150,000	150,000
	4.200%	2/1/2009	160,000	160,000	160,000
	4.200%	2/1/2010	165,000	165,000	165,000
	4.250%	2/1/2011	170,000	170,000	170,000
	4.350%	2/1/2012	180,000	180,000	180,000
	4.400%	2/1/2013	190,000	190,000	190,000
	4.500%	2/1/2014	195,000	195,000	195,000
	4.500%	2/1/2015	205,000	205,000	205,000
	4.500%	2/1/2016	215,000	215,000	215,000
	4.500%	2/1/2017	225,000	225,000	225,000
	4.500%	2/1/2018	235,000	235,000	235,000
	4.500%	2/1/2019	245,000	245,000	245,000
	4.500%	2/1/2020	255,000	255,000	255,000
				<u>3,140,000</u>	<u>3,265,000</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government (Continued)
June 30, 2004

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Principal Outstanding</u>	
				<u>June 30, 2004</u>	<u>June 30, 2003</u>
<u>Enterprise Funds (concluded)</u>					
<u>General Obligation Bonds: (concluded)</u>					
1999 Building Authority Refunding Bonds - Airport Hangar					
Date of issue - 2/11/99					
Amount of issue - \$2,465,000					
	3.950	4/1/2004	\$ 170,000	\$ -	\$ 170,000
	4.050	4/1/2005	175,000	175,000	175,000
	4.150	4/1/2006	185,000	185,000	185,000
	4.250	4/1/2007	195,000	195,000	195,000
	4.300	4/1/2008	205,000	205,000	205,000
	4.400	4/1/2009	210,000	210,000	210,000
	4.500	4/1/2010	225,000	225,000	225,000
	4.600	4/1/2011	235,000	235,000	235,000
	4.700	4/1/2012	250,000	250,000	250,000
				<u>1,680,000</u>	<u>1,850,000</u>
Total Enterprise Funds general obligation bonds				<u>\$ 4,820,000</u>	<u>\$ 5,115,000</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government (Continued)
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30, 2004	June 30, 2003
<u>Governmental</u>					
<u>General Obligation Bonds:</u>					
1997 Refunding Bonds - Justice Center Complex					
Date of issue - 12/1/97					
Amount of issue - \$14,640,000					
	5.000	4/1/2004	\$ 735,000	\$ -	\$ 735,000
	5.000	4/1/2005	775,000	775,000	775,000
	5.000	4/1/2006	815,000	815,000	815,000
	5.000	4/1/2007	860,000	860,000	860,000
	5.000	4/1/2008	910,000	910,000	910,000
	4.950	4/1/2009	960,000	960,000	960,000
	5.050	4/1/2010	1,015,000	1,015,000	1,015,000
	5.150	4/1/2011	1,070,000	1,070,000	1,070,000
	5.125	4/1/2012	1,135,000	1,135,000	1,135,000
	5.125	4/1/2013	600,000	600,000	600,000
	5.125	4/1/2014	635,000	635,000	635,000
	5.000	4/1/2015	675,000	675,000	675,000
	5.000	4/1/2016	715,000	715,000	715,000
	5.000	4/1/2017	755,000	755,000	755,000
	5.000	4/1/2018	805,000	805,000	805,000
				<u>11,725,000</u>	<u>12,460,000</u>
2002 Bldg Auth- Limited Tax					
Date of issue- 3/1/02					
Amount of issue- \$10,000,000					
	4.500	3/1/2004	\$ 350,000	\$ -	\$ 350,000
	4.500	3/1/2005	360,000	360,000	360,000
	4.500	3/1/2006	365,000	365,000	365,000
	4.500	3/1/2007	380,000	380,000	380,000
	4.500	3/1/2008	395,000	395,000	395,000
	4.500	3/1/2009	410,000	410,000	410,000
	4.600	3/1/2010	425,000	425,000	425,000
	4.600	3/1/2011	445,000	445,000	445,000
	4.600	3/1/2012	465,000	465,000	465,000
	4.600	3/1/2013	485,000	485,000	485,000
	4.600	3/1/2014	505,000	505,000	505,000
	4.625	3/1/2015	530,000	530,000	530,000
	4.625	3/1/2016	555,000	555,000	555,000
	4.625	3/1/2017	585,000	585,000	585,000
	4.625	3/1/2018	610,000	610,000	610,000
	4.625	3/1/2019	645,000	645,000	645,000
	4.750	3/1/2020	675,000	675,000	675,000
	4.750	3/1/2021	710,000	710,000	710,000
	4.750	3/1/2022	750,000	750,000	750,000
				<u>9,295,000</u>	<u>9,645,000</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government (Continued)
June 30, 2004

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Principal Outstanding</u>	
				<u>June 30, 2004</u>	<u>June 30, 2003</u>
<u>Governmental (continued)</u>					
<u>General Obligation Bonds; (concluded)</u>					
2003 Michigan Transportation Fund bonds					
Date of issue - 6/30/03					
Amount of issue - \$3,070,000					
	2.000	3/1/2004	\$ 300,000	\$ -	\$ 300,000
	2.000	3/1/2005	280,000	280,000	280,000
	2.000	3/1/2006	285,000	285,000	285,000
	2.000	3/1/2007	290,000	290,000	290,000
	2.250	3/1/2008	295,000	295,000	295,000
	2.500	3/1/2009	305,000	305,000	305,000
	2.750	3/1/2010	310,000	310,000	310,000
	3.000	3/1/2011	325,000	325,000	325,000
	3.125	3/1/2012	335,000	335,000	335,000
	3.250	3/1/2013	345,000	345,000	345,000
				<u>2,770,000</u>	<u>3,070,000</u>
Total Governmental general obligation bonds				<u>\$ 23,790,000</u>	<u>\$ 25,175,000</u>
1996 Special Assessment Bonds					
Date of issue - July 1, 1996					
Amount of issue - \$250,000					
	5.200	1/1/2004	\$ 25,000	\$ -	\$ 25,000
	5.300	1/1/2005	25,000	25,000	25,000
	5.350	1/1/2006	25,000	25,000	25,000
Total Governmental special assessment bonds				<u>\$ 50,000</u>	<u>\$ 75,000</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Primary Government (Concluded)
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30, 2004	June 30, 2003
<u>Governmental (concluded)</u>					
<u>Installment Purchase Contracts:</u>					
1996 Fire Fighting Apparatus					
Date of issue - December 12, 1996					
Amount of issue - \$295,000					
	4.800	8/1/2003	\$ 30,000	\$ -	\$ 30,000
	4.900	8/1/2004	35,000	35,000	35,000
	5.000	8/1/2005	35,000	35,000	35,000
	5.100	8/1/2006	35,000	35,000	35,000
				<u>105,000</u>	<u>135,000</u>
1998 Fire Fighting Equipment					
Date of issue - December 15, 1998					
Amount of issue - \$995,000					
	3.650	1/1/2004	\$ 95,000	\$ -	\$ 95,000
	3.650	1/1/2005	100,000	100,000	100,000
	3.650	1/1/2006	105,000	105,000	105,000
	3.650	1/1/2007	110,000	110,000	110,000
	3.650	1/1/2008	115,000	115,000	115,000
	3.650	1/1/2009	120,000	120,000	120,000
				<u>550,000</u>	<u>645,000</u>
Total Governmental installment purchase contracts				<u>\$ 655,000</u>	<u>\$ 780,000</u>

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Component Units
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal outstanding	
				June 30, 2004	June 30, 2003
General Obligation Bonds:					
1997 G.O. Limited Tax Development Refunding Bonds					
Date of issue - 11/01/97					
Amount of issue - \$3,940,000					
	5.000	9/1/2003	\$ 280,000	\$ -	\$ 280,000
	5.000	9/1/2004	295,000	295,000	295,000
	5.000	9/1/2005	310,000	310,000	310,000
	5.000	9/1/2006	330,000	330,000	330,000
	5.000	9/1/2007	345,000	345,000	345,000
	5.000	9/1/2008	365,000	365,000	365,000
	5.000	9/1/2009	385,000	385,000	385,000
	5.000	9/1/2010	400,000	400,000	400,000
	5.000	9/1/2011	425,000	425,000	425,000
Total general obligation bonds				<u>\$ 2,855,000</u>	<u>\$ 3,135,000</u>
Revenue Bonds:					
1994 Tax Development					
Date of issue - 12/01/94					
Amount of issue - \$57,260,000					
	6.900	9/1/2004	\$ 2,310,000	\$ -	\$ 2,310,000
1994 Development Bonds					
Date of issue - 12/01/94					
Amount of issue - \$11,735,000					
	6.600	5/1/2004	\$ 610,000	\$ -	\$ 610,000

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Component Units (Continued)
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal outstanding	
				June 30, 2004	June 30, 2003
Revenue Bonds: (concluded)					
1997 Development Refunding Bonds					
Date of issue - 11/01/97					
Amount of issue - \$50,195,000					
	4.625	5/1/2004	\$ 435,000	\$ -	\$ 435,000
	4.750	5/1/2005	2,855,000	2,855,000	2,855,000
	6.000	5/1/2006	2,870,000	2,870,000	2,870,000
	6.000	5/1/2007	2,215,000	2,215,000	2,215,000
	5.000	5/1/2008	2,715,000	2,715,000	2,715,000
	5.000	5/1/2009	2,785,000	2,785,000	2,785,000
	5.100	5/1/2010	2,950,000	2,950,000	2,950,000
	5.200	5/1/2011	3,110,000	3,110,000	3,110,000
	5.250	5/1/2012	3,760,000	3,760,000	3,760,000
	5.000	5/1/2013	3,690,000	3,690,000	3,690,000
	5.000	5/1/2014	3,605,000	3,605,000	3,605,000
	5.000	5/1/2015	3,520,000	3,520,000	3,520,000
	5.000	5/1/2016	3,420,000	3,420,000	3,420,000
	5.000	5/1/2017	3,325,000	3,325,000	3,325,000
	5.125	5/1/2018	3,245,000	3,245,000	3,245,000
	5.125	5/1/2019	3,145,000	3,145,000	3,145,000
	5.125	5/1/2020	610,000	610,000	610,000
				<u>47,820,000</u>	<u>48,255,000</u>
1997 Development Refunding Bonds					
Date of issue - 11/01/97					
Amount of issue - \$9,040,000					
	4.600	5/1/2004	\$ 65,000	\$ -	\$ 65,000
	4.750	5/1/2005	655,000	655,000	655,000
	4.850	5/1/2006	670,000	670,000	670,000
	4.900	5/1/2007	675,000	675,000	675,000
	5.000	5/1/2008	695,000	695,000	695,000
	5.000	5/1/2009	730,000	730,000	730,000
	5.100	5/1/2010	740,000	740,000	740,000
	5.200	5/1/2011	775,000	775,000	775,000
	5.250	5/1/2012	800,000	800,000	800,000
	5.000	5/1/2013	840,000	840,000	840,000
	5.000	5/1/2014	770,000	770,000	770,000
	5.000	5/1/2015	755,000	755,000	755,000
	5.000	5/1/2016	545,000	545,000	545,000
				<u>8,650,000</u>	<u>8,715,000</u>
Total revenue bonds				<u>\$ 56,470,000</u>	<u>\$ 59,890,000</u>

Continued...

CITY OF BATTLE CREEK, MICHIGAN
Comparative Schedule of Bonded Indebtedness - Component Units (Concluded)
June 30, 2004

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal outstanding	
				June 30, 2004	June 30, 2003
Land Contract:					
1992 Land Contract - City of Battle Creek					
Date of issue - 08/18/92					
Amount of issue - \$8,690,000					
	9.000	6/30/2004	\$ 438,309	\$ -	\$ 438,309
	9.000	6/30/2005	477,756	477,756	477,756
	9.000	6/30/2006	520,755	520,755	520,755
	9.000	6/30/2007	567,622	567,622	567,622
	9.000	6/30/2008	618,708	618,708	618,708
	9.000	6/30/2009	674,392	674,392	674,392
	9.000	6/30/2010	735,087	735,087	735,087
	9.000	6/30/2011	801,245	801,245	801,245
	9.000	6/30/2012	873,352	873,352	873,352
Total land contract				\$ 5,268,917	\$ 5,707,226

Table 1

CITY OF BATTLE CREEK, MICHIGAN
Government-wide Revenues by Source - Unaudited
Last Ten Fiscal Years Ended June 30 (1)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Program revenues										
Charges for services	\$ 31,100,093	\$ 30,937,498	\$ 28,536,907	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants/contributions	12,994,122	13,932,584	13,821,210	-	-	-	-	-	-	-
Capital grants/contributions	2,341,061	1,691,444	3,079,493	-	-	-	-	-	-	-
General revenues										
Property taxes	12,764,779	12,375,964	12,123,163	-	-	-	-	-	-	-
Income taxes	12,679,119	11,664,194	11,268,853	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	6,358,441	7,077,172	7,748,643	-	-	-	-	-	-	-
Unrestricted investment earnings	1,463,544	4,561,471	3,255,995	-	-	-	-	-	-	-
Gain on sale of capital assets	-	554	202,937	-	-	-	-	-	-	-
	\$ 79,701,159	\$ 82,240,881	\$ 80,037,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Government-wide Expenses by Function - Unaudited
Last Ten Fiscal Years Ended June 30 (1)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General government	\$ 8,285,242	\$ 8,990,324	\$ 10,112,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	25,996,442	24,497,814	22,079,365	-	-	-	-	-	-	-
Public works	2,263,112	2,612,061	2,147,763	-	-	-	-	-	-	-
Highways and streets	10,799,830	9,916,209	9,428,177	-	-	-	-	-	-	-
Parks and recreation	6,879,916	7,212,347	6,621,368	-	-	-	-	-	-	-
Community development	2,834,085	2,959,850	2,917,730	-	-	-	-	-	-	-
Interest on long-term debt	1,130,642	1,171,284	913,762	-	-	-	-	-	-	-
Wastewater	14,090,224	13,587,398	12,621,533	-	-	-	-	-	-	-
Water	7,196,409	7,112,747	7,066,844	-	-	-	-	-	-	-
Public transit	4,064,196	4,046,023	3,860,075	-	-	-	-	-	-	-
Solid waste collection	2,103,397	2,068,331	2,138,649	-	-	-	-	-	-	-
Other enterprise	4,536,649	3,944,100	3,509,952	-	-	-	-	-	-	-
	\$ 90,180,144	\$ 88,118,488	\$ 83,417,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) The City implemented GASB Statement No. 34 as of and for the fiscal year ended June 30, 2002. Accordingly, data prior to fiscal 2001-02 is not available.

Table 2

CITY OF BATTLE CREEK, MICHIGAN
General Governmental Revenue by Source (1) - Unaudited
Last Ten Fiscal Years Ended June 30,

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Income taxes	\$ 12,679,119	\$ 11,664,194	\$ 11,268,853	\$ 12,816,147	\$ 13,175,710	\$ 13,106,057	\$ 12,773,076	\$ 11,425,562	\$ 11,644,431	\$ 11,823,321
Property taxes	12,790,559	12,458,369	12,124,480	12,062,629	11,580,675	11,339,692	11,030,082	10,908,757	10,428,331	10,919,979
Licenses and permits	1,020,676	1,106,290	1,139,760	1,159,829	1,102,395	1,149,311	909,554	761,952	687,049	520,854
Intergovernmental	14,851,136	17,264,191	16,936,207	15,994,041	14,881,845	15,036,558	15,217,030	13,637,893	13,277,220	12,001,329
Charges for services	5,057,747	5,078,612	4,998,638	3,399,540	3,406,102	3,199,131	2,810,421	816,319	661,839	641,258
Fines and forfeitures	227,640	269,554	271,352	314,206	291,643	331,828	353,938	357,636	272,044	260,080
Investment income	1,842,748	2,569,257	2,186,307	2,321,779	2,814,628	2,490,931	2,433,035	2,075,948	2,516,527	2,305,563
Other	3,649,270	3,798,753	3,817,817	3,540,096	2,992,563	4,160,814	4,039,367	4,120,003	3,509,023	3,100,224
	\$ 52,118,895	\$ 54,209,220	\$ 52,743,414	\$ 51,608,267	\$ 50,245,561	\$ 50,814,322	\$ 49,566,503	\$ 44,104,070	\$ 42,996,464	\$ 41,572,608

General Governmental Expenditures by Function (1) - Unaudited
Last Ten Fiscal Years Ended June 30,

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Current expenditures:										
General government	\$ 7,023,203	\$ 7,711,674	\$ 8,547,701	\$ 6,943,680	\$ 8,076,320	\$ 7,284,862	\$ 6,444,438	\$ 5,831,330	\$ 5,827,489	\$ 5,115,115
Public safety	25,598,627	24,293,085	22,028,962	21,080,470	21,389,862	20,815,711	20,188,292	18,101,786	16,887,510	14,424,310
Public works	1,956,879	2,113,230	2,084,977	2,003,783	2,185,530	2,162,846	2,436,406	1,722,350	1,678,406	1,639,724
Highway and streets	10,409,523	8,888,758	8,098,240	4,308,684	3,631,821	4,153,923	3,829,679	4,098,117	3,289,206	3,269,001
Parks and recreation	5,862,541	6,212,707	5,732,642	4,552,923	5,547,823	5,113,834	6,860,737	3,518,284	3,008,359	3,287,862
Community development	2,133,178	2,440,178	2,384,841	2,541,710	1,671,874	2,400,630	1,928,748	2,420,446	1,598,466	2,929,959
Unallocated	2,069,015	2,084,948	2,107,582	1,791,237	1,287,802	1,050,544	725,711	3,442,121	2,969,324	3,032,003
Capital outlay	595,425	8,673,391	3,349,551	125,943	847,075	729,289	1,191,917	503,310	893,880	257,051
Debt service:										
Principal retirement	1,535,000	1,205,000	1,040,000	1,196,000	1,428,000	1,911,454	1,678,331	1,642,884	1,343,850	3,924,420
Interest	1,161,539	1,187,343	759,139	782,931	922,237	1,145,775	1,105,816	1,245,466	1,319,867	1,575,627
	\$ 58,344,930	\$ 64,810,314	\$ 56,133,635	\$ 45,327,361	\$ 46,988,344	\$ 46,768,868	\$ 46,390,075	\$ 42,526,094	\$ 38,816,357	\$ 39,455,072

(1) Includes general, special revenue and debt service funds through June 30, 2001; all governmental funds thereafter.

Table 3

CITY OF BATTLE CREEK, MICHIGAN
Property Taxes Levied and Collected - Unaudited
Last Ten Fiscal Years

(1) Fiscal Year Ended June 30,	(2) Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	(3) Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
2004	\$ 17,185,570	\$ 16,258,858	94.61%	\$ 926,712	\$ 17,185,570	100.00%
2003	16,268,282	15,315,963	94.15%	952,319	16,268,282	100.00%
2002	15,627,580	14,556,663	93.15%	1,070,917	15,627,580	100.00%
2001	14,444,440	13,472,398	93.27%	972,042	14,444,440	100.00%
2000	13,848,196	13,113,769	94.70%	734,427	13,848,196	100.00%
1999	13,053,529	12,112,586	92.79%	940,943	13,053,529	100.00%
1998	12,779,511	12,166,087	95.20%	613,424	12,779,511	100.00%
1997	12,092,972	11,509,315	95.17%	583,657	12,092,972	100.00%
1996	11,666,107	11,107,809	95.21%	558,291	11,666,100	100.00%
1995	11,800,841	11,196,181	94.88%	604,660	11,800,841	100.00%
1994	10,092,302	9,441,328	93.55%	650,974	10,092,302	100.00%

(1) Property taxes are levied July 1 of the current fiscal year based on taxable property values as of the preceding December 31. Unpaid property taxes become delinquent as of September 1 of the current fiscal year. The City's delinquent real property taxes are purchased by the Calhoun County Delinquent Tax Revolving Fund. Uncollected personal property taxes must be collected by the City Treasurer.

(2) Includes real and personal property taxes.

(3) Includes settlement from Calhoun County Delinquent Tax Revolving for purchase of delinquent real property taxes.

Table 4

CITY OF BATTLE CREEK, MICHIGAN
Taxable Value of Property (1) - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Year	Valued as of December 31,	Real Property	Personal Property	(2) Commercial Facilities	(2) Industrial Facilities	(2) Neighborhood Enterprise Zone	Total
2004	2003	2002	\$ 978,470,914	\$ 351,059,132	\$ -	\$ 146,248,110	\$ 865,870	\$ 1,476,644,026
2003	2002	2001	925,948,123	329,676,688	-	185,519,689	878,061	1,442,022,561
2002	2001	2000	881,764,954	311,885,594	-	193,004,493	850,235	1,387,505,276
2001	2000	1999	822,394,550	289,680,550	-	240,160,900	812,450	1,353,048,450
2000	1999	1998	769,378,890	295,866,950	-	293,250,150	774,750	1,359,270,740
1999	1998	1997	729,698,620	268,354,400	-	348,992,425	687,925	1,347,733,370
1998	1997	1996	696,971,736	266,251,392	356,450	318,030,675	665,125	1,282,275,378
1997	1996	1995	662,952,216	234,136,300	483,175	303,273,175	508,375	1,201,353,241
1996	1995	1994	641,680,827	216,912,200	1,469,805	316,448,775	434,305	1,176,945,912
1995	1994	1993	632,534,976	207,310,300	1,573,475	299,251,075	274,330	1,140,944,156

(1) Property taxes are levied July 1 of the succeeding fiscal year based on assessed values as of December 31

(2) Represents current values of tax abated properties.

Table 5

CITY OF BATTLE CREEK, MICHIGAN
Ad Valorem Property Values by Use - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Year	Valued as of December 31,	State Equalized Values					
			Agriculture	Commercial	Industrial	Residential	Personal	Total
2004	2003	2002	\$ 3,537,271	\$ 255,680,235	\$ 133,252,535	\$ 764,461,270	\$ 351,059,132	\$ 1,507,990,443
2003	2002	2001	3,150,902	244,155,529	117,325,103	723,350,246	329,701,700	1,417,683,480
2002	2001	2000	3,377,081	240,132,810	110,100,490	688,337,470	311,885,594	1,353,833,445
2001	2000	1999	3,056,150	229,154,450	94,153,850	639,225,300	289,680,550	1,255,270,300
2000	1999	1998	2,735,000	208,581,350	93,033,350	589,502,553	297,740,200	1,191,592,453
1999	1998	1997	2,397,800	196,880,550	69,600,650	548,963,328	268,354,400	1,086,196,728
1998	1997	1996	2,507,700	182,264,550	67,877,350	501,478,060	266,251,392	1,020,379,052
1997	1996	1995	1,896,050	166,599,900	67,078,050	461,901,650	234,136,300	931,611,950
1996	1995	1994	1,981,100	162,819,300	65,489,900	435,886,670	216,912,200	883,089,170
1995	1994	1993	1,962,600	161,788,365	65,296,766	404,963,395	207,310,300	841,321,426
1994	1993	1992	1,876,700	154,662,849	61,252,486	390,150,475	200,595,900	808,538,410

CITY OF BATTLE CREEK, MICHIGAN
Property Tax Rates (1) - Unaudited
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Levied July 1,	(2)											Totals		
		City of Battle Creek				Public Schools	State Education Tax	Calhoun Intermediate School District		Kellogg Community College	District Library	County			
		Operating	Debt	Pension											
2004	2003	10.1430	-	2.8570	5.0000	20.0000	6.2057	3.7106	2.0000	6.6513	56.5676	38.5676			
2003	2002	11.3200	-	1.6800	6.0000	20.0000	6.0674	3.7106	2.0000	6.6713	57.4493	39.4493			
2002	2001	11.1230	-	1.8770	6.0000	20.0000	6.0694	3.7106	2.0000	7.1961	57.9761	39.9761			
2001	2000	10.9120	0.2270	1.8610	6.0000	20.0000	6.0760	3.7128	2.0000	7.2129	58.0017	40.0017			
2000	1999	10.2470	0.4030	2.3500	6.0000	20.0000	6.1022	3.7128	2.0000	7.2129	58.0279	40.0279			
1999	1998	9.8760	0.3020	2.8530	6.0000	20.0000	6.1022	3.7239	1.6000	7.2319	57.6890	39.6890			
1998	1997	9.8760	0.4230	2.9680	6.0000	20.0000	6.1022	2.8739	1.6000	7.3819	57.2250	39.2250			
1997	1996	9.8760	0.4750	3.1450	6.0000	19.0000	6.1022	2.8739	1.6000	7.4119	56.4840	38.4840			
1996	1995	9.8760	0.2510	3.0470	6.0000	19.0000	6.1022	2.8739	1.6000	6.6619	55.4120	37.4120			
1995	1994	9.8760	1.2250	2.9760	6.0000	19.0000	6.1022	2.8739	1.6000	6.6619	56.3150	38.3150			
1994	1993	9.8760	1.4000	3.2660	-	40.7200	6.1035	2.8742	-	6.6666	70.9063	70.9063			

(1) Per \$1,000 of equalized value.

(2) Approximately 2/3 of the City's taxable value is contained in Battle Creek School District. Four other school districts overlap into the geographical boundaries of the City. The millage rates for these other school districts are approximately equivalent to Battle Creek School District's.

(2) Passage of Proposal A in 1994 reduced operating millage for Michigan public schools to 18 mills for non-homestead properties and exempted homestead properties. Both homestead and non-homestead properties are subject to the State Education Tax of 6 mills as well as any debt service levy.

Table 7

CITY OF BATTLE CREEK, MICHIGAN
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Population	(2) Taxable Value	(3) Gross Bonded Debt	(4) Less Debt Service Fund Amounts	(5) Less Self- Supporting Portions	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita
2004	53,364	\$ 1,476,644,026	\$ 28,610,000	\$ 4,585	\$ 4,820,000	\$ 23,785,415	1.61%	\$ 446
2003	53,364	1,442,022,561	30,290,000	4,452	5,115,000	25,170,548	1.75%	472
2002	53,364	1,387,505,276	29,095,000	4,662	5,935,000	23,155,338	1.67%	434
2001	53,364	1,353,048,450	20,605,000	4,651	6,785,000	13,815,349	1.02%	259
2000	53,699	1,359,270,740	22,015,000	17,236	7,309,000	14,688,764	1.08%	274
1999	53,496	1,347,733,370	23,825,000	17,447	8,091,000	15,716,553	1.17%	294
1998	53,496	1,282,275,378	22,855,000	17,654	5,714,458	17,122,888	1.34%	320
1997	53,069	1,201,353,241	25,170,000	16,140	7,467,493	17,686,367	1.47%	333
1996	52,976	1,176,945,912	28,215,000	20,052	9,216,609	18,978,339	1.61%	358
1995	53,291	1,140,944,156	31,330,000	18,329	11,315,791	19,995,880	1.75%	375
1994	53,745	1,143,042,060	36,850,000	1,631,679	13,251,876	21,966,445	1.92%	409
1993	53,874	1,108,191,254	42,120,000	3,642,028	14,468,529	24,009,443	2.17%	446

(1) From U.S. Census Bureau.

(2) From Table 3.

(3) Amounts include general obligation bonds of the primary government.

(4) Represents amounts available for repayment of general obligation bonds.

(5) Represents amounts, if any, that are being repaid from proprietary funds.

Table 8

CITY OF BATTLE CREEK, MICHIGAN
Computation of Legal Debt Margin - Unaudited
June 30, 2004

State Equalized Value - ad valorem property		\$ 1,507,990,443
State Equalized Value - tax abated property:		
Industrial Facilities		147,597,778
Neighborhood Enterprise Zone		<u>867,332</u>
Total State Equalized Value (SEV)		<u>\$ 1,656,455,553</u>
Legal debt limit (10% of SEV)		\$ 165,645,555
Outstanding debt subject to limitation	\$ 112,805,000	
Less exempt obligations	<u>(35,670,000)</u>	
		<u>77,135,000</u>
Legal debt margin		<u>\$ 88,510,555</u>
Debt subject to limitation as a percent of SEV		<u>4.66%</u>

Table 9

CITY OF BATTLE CREEK, MICHIGAN
Computation of Direct and Overlapping Bonded Debt - Unaudited

	(1) Net Debt Outstanding	Percentage Applicable to City of Battle Creek	Amount Applicable to City of Battle Creek
Direct:			
City issued bonded debt (2)	\$ 23,790,000	100.00%	<u>\$ 23,790,000</u>
Overlapping:			
Calhoun County	2,210,000	42.62%	941,902
Climax-Scotts School District	8,917,181	3.92%	349,553
Lakeview School District	53,755,000	100.00%	53,755,000
Pennfield School District	8,330,000	2.52%	209,916
Harper Creek School District	53,599,739	0.67%	359,118
Kellogg Community College	15,950,000	42.63%	6,799,485
Willard District Library	2,665,000	63.78%	1,699,737
			<u>64,114,712</u>
Total direct and overlapping debt			<u><u>\$ 87,904,712</u></u>

(1) Excludes self-supporting debt.

(2) Excludes discretely presented component unit.

Source: City of Battle Creek and Municipal Advisory Council of Michigan.

Table 10

CITY OF BATTLE CREEK, MICHIGAN
Ratio of Annual Debt Service Expenditures
for General Bonded Debt to Total
General Governmental Expenditures - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Annual Debt Service	(2) Total General Governmental Expenditures	Ratio
2004	\$ 2,158,489	\$ 58,344,930	3.70%
2003	2,147,097	64,810,314	3.31%
2002	1,355,357	56,133,635	2.41%
2001	1,630,800	45,327,361	3.60%
2000	1,844,834	46,988,344	3.93%
1999	2,073,229	46,768,868	4.43%
1998	1,942,864	46,390,075	4.19%
1997	1,982,683	42,526,094	4.66%
1996	1,768,720	38,816,357	4.56%
1995	4,572,625	39,455,072	11.59%

(1) Represents amounts on general obligation bonds of the primary government.

(2) Includes general, special revenue and debt service funds through 6/30/01;
includes all governmental funds thereafter.

Table 11

CITY OF BATTLE CREEK, MICHIGAN
Twenty Largest Property Taxpayers - Unaudited
June 30, 2004

Taxpayer	Principal Product or Service	(1) Total Taxable Valuation	Percentage of Total Taxable Valuation
Kellogg Company	Breakfast foods	\$ 167,111,534	11.32%
Denso Manufacturing Michigan, Inc.	Automotive parts	93,203,622	6.31%
Kraft Foods, Post Division	Breakfast foods	50,171,423	3.40%
Technical Auto Parts	Automotive parts	26,284,574	1.78%
II Stanley Company, Inc	Automotive parts	21,901,265	1.48%
Consumers Energy	Electric utility	18,517,125	1.25%
Ralcorp Holdings, Inc	Breakfast foods	15,267,961	1.03%
Semco Energy, Inc.	Natural gas utility	14,976,845	1.01%
Michigan Carton & Paperboard	Paper mill	11,385,112	0.77%
Lakeview Delaware	Regional shopping mall	11,367,469	0.77%
Yorozu Automotive North America	Automotive parts	9,923,916	0.67%
EPI Printers, Inc.	Printing	8,777,524	0.59%
Waldorf Corporation	Paper mill	8,708,761	0.59%
TRMI INC	Automotive parts	8,465,571	0.57%
Suntrust Leasing Corp.	Lease Corporation	7,808,563	0.53%
American Fibril	Automotive parts	7,670,864	0.52%
Cello-Foil Products Inc.	Packaging	7,528,376	0.51%
Regency Oakbrook LTD	Apartment complex	7,268,387	0.49%
Hi-Lex Corporation	Mechanical control cables	7,149,675	0.48%
Systex Products Corp.	Plastic moldings	7,074,834	0.48%
		<u>\$ 510,563,401</u>	<u>34.58%</u>

(1) Includes ad valorem and tax abated properties.

SOURCE: City of Battle Creek

Table 12

CITY OF BATTLE CREEK, MICHIGAN
Thirty Largest Employers - Unaudited
June 30, 2004

Company	Principal Product or Service	Number of Employees
Denso Manufacturing Michigan, Inc.	Automotive parts	2,700
Kellogg Company	Breakfast foods	1,750
Federal Center	Government	1,600
Battle Creek Health System	Medical services	1,554
Battle Creek Public Schools	Education (K-12)	1,300
Veterans Administration Medical Center	Medical services	1,150
Kraft Foods, Post Division	Breakfast foods	800
II Stanley Company, Inc	Automotive parts	750
Felpausch Food Centers	Retail	700
Meijer Inc.	Retail	700
City of Battle Creek	Government	650
TRMI INC	Automotive parts	550
Duncan Aviation	Aircraft refurbishing	520
Calhoun County	Government	520
Canadian National	Railroad	500
Kellogg Community College	Higher education	500
Lakeview School District	Education (K-12)	485
EPI Printers, Inc.	Printing	400
Koyo Corporation	Metal sales and fabrication	400
Hi-Lex Corporation	Mechanical control cables	380
Musashi Auto Parts, Inc.	Automotive parts	380
David Brown Union Pump Co.	Water pump systems	375
ASMO Manufacturing	Automotive parts	370
McDonald's Restaurants	Restaurant	280
Flex-N-Gate	Gate Manufacturer	275
Burns International Services	Security services	300
Michigan Air National Guard	Government	266
Harper Creek Community Schools	Education (K-12)	264
United Steel & Wire	Carts/Rack Manufacturing	250
Michigan Carton & Paperboard	Paper mill	242
Johnson Controls	Automotive parts	240

SOURCE: Battle Creek Unlimited

Table 13

CITY OF BATTLE CREEK, MICHIGAN
Water and Wastewater System Revenue Bond Coverage - Unaudited
Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2004	\$ 16,753,042	\$ 13,741,506	\$ 3,011,536	\$ 1,575,436	1.91
2003	18,914,844	13,409,060	5,505,784	1,447,312	3.80
2002 (5)	18,059,421	12,834,705	5,224,716	1,452,305	3.60
2001	6,285,322	4,639,956	1,645,366	1,428,910	1.15
2000	6,385,001	5,203,838	1,181,163	1,437,565	0.82
1999	6,234,314	5,083,581	1,150,733	1,299,578	0.89
1998	6,424,672	4,321,163	2,103,509	1,278,816	1.64
1997	6,088,858	4,117,807	1,971,051	830,258	2.37
1996	5,009,441	3,528,326	1,481,115	602,832	2.46
1995	4,770,505	3,680,843	1,089,662	611,647	1.78
1994 (4)	4,953,901	3,491,691	1,462,210	141,379	10.34

(1) Includes operating revenue, investment income and transfers from tax increment financing authorities. Such transfers will continue through the year ended June 30, 2011.

(2) Excludes depreciation expense.

(3) Includes revenue bonds only.

(4) Represents the point in time at which payments began on the 1993 Revenue Bonds and the noncallable portion of the 1990 Revenue Bonds.

(5) Effective 7-1-01, the water and wastewater systems were legally combined; therefore, amounts prior to 2001-02 are for the water fund only.

Table 14

CITY OF BATTLE CREEK, MICHIGAN
Number of Water System Customers by User Class - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	15,123	15,173	15,164	15,150	15,132	15,004	15,001	14,901	14,959	14,850
Commercial (1)	1,792	1,770	1,759	1,747	1,749	1,762	1,777	1,755	1,745	1,738
Industrial	161	165	166	157	159	159	155	156	162	151
	17,076	17,108	17,089	17,054	17,040	16,925	16,933	16,812	16,866	16,739
Outside City										
Emmett Township	763	761	746	744	705	701	708	706	710	685
Bedford Township (2)	434	425	432	435	437	435	37	33	31	28
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	1,197	1,186	1,178	1,179	1,142	1,136	745	739	741	713
Totals	18,273	18,294	18,267	18,233	18,182	18,061	17,678	17,551	17,607	17,452

(1) This class includes commercial and governmental users.

(2) Increase in 1999 applicable to Orchard Park addition.

Table 15

CITY OF BATTLE CREEK, MICHIGAN
Water System Customers by User Class as a Percent of Total - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	82.76%	82.94%	83.01%	83.09%	83.23%	83.07%	84.86%	84.90%	84.96%	85.09%
Commercial	9.80%	9.68%	9.63%	9.58%	9.62%	9.76%	10.05%	10.00%	9.91%	9.96%
Industrial	0.88%	0.90%	0.91%	0.86%	0.87%	0.88%	0.88%	0.89%	0.92%	0.87%
	93.44%	93.52%	93.55%	93.53%	93.72%	93.71%	95.79%	95.79%	95.79%	95.91%
Outside City										
Emmett Township	4.17%	4.16%	4.08%	4.08%	3.88%	3.88%	4.00%	4.02%	4.03%	3.93%
Bedford Township	2.37%	2.32%	2.36%	2.39%	2.40%	2.41%	0.21%	0.19%	0.18%	0.16%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	6.54%	6.48%	6.45%	6.47%	6.28%	6.29%	4.21%	4.21%	4.21%	4.09%
Totals	99.98%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 16

CITY OF BATTLE CREEK, MICHIGAN
Water System Revenues by User Class - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	\$2,778,890	\$2,756,443	\$2,533,362	\$2,231,146	\$2,094,201	\$2,016,205	\$2,024,363	\$1,982,567	\$1,537,278	\$1,463,317
Commercial (1)	2,029,994	1,900,080	1,843,640	1,624,460	1,601,871	1,440,049	1,574,481	1,440,832	1,302,480	1,332,958
Industrial	1,569,500	1,620,398	1,427,598	1,312,635	1,401,659	1,526,993	1,694,215	1,482,808	1,235,646	1,301,887
	6,378,384	6,276,921	5,804,600	5,168,241	5,097,731	4,983,247	5,293,059	4,906,207	4,075,404	4,098,162
Outside City										
Emmett Township (2)	-	-	-	-	90,242	246,737	251,065	203,017	206,334	188,271
Bedford Township (2)	-	-	-	-	37,527	46,608	6,564	5,708	4,106	3,524
Springfield City	230,142	309,120	255,990	220,169	280,166	242,485	201,044	240,309	115,529	108,811
Pennfield Township	25,272	25,724	22,819	22,461	25,736	34,487	53,477	56,395	36,921	34,105
	255,414	334,844	278,809	242,630	433,671	570,317	512,150	505,429	362,890	334,711
Totals	\$6,633,798	\$6,611,765	\$6,083,409	\$5,410,871	\$5,531,402	\$5,553,564	\$5,805,209	\$5,411,636	\$4,438,294	\$4,432,873

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

Table 17

CITY OF BATTLE CREEK, MICHIGAN
Water System Revenues by User Class as a Percent of Total Revenue - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
In-City											
Residential	41.89%	41.69%	41.64%	41.23%	37.86%	36.30%	34.87%	36.64%	34.64%	33.01%	33.64%
Commercial (1)	30.60%	28.74%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Industrial	23.66%	24.51%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	96.15%	94.94%	95.42%	95.52%	92.16%	89.73%	91.18%	90.66%	91.82%	92.45%	92.40%
Outside City											
Emmett Township (2)	0.00%	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bedford Township (2)	0.00%	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Springfield City	3.47%	4.68%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pennfield Township	0.38%	0.39%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	3.85%	5.06%	4.58%	4.48%	7.84%	10.27%	8.82%	9.34%	8.18%	7.55%	7.60%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

Table 18

CITY OF BATTLE CREEK, MICHIGAN
Water System Sales Volume by User Class (Cubic Feet) - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	137,407,639	147,477,690	143,389,790	145,687,089	150,082,516	151,173,776	144,442,234	143,915,251	137,682,987	134,626,389
Commercial (1)	112,195,110	121,130,023	114,554,365	115,717,957	125,688,340	130,291,866	123,655,135	124,884,532	127,552,745	128,440,957
Industrial	130,801,446	145,025,970	133,214,879	143,979,786	190,579,000	203,600,381	215,465,319	208,973,000	198,642,903	218,543,253
	380,404,195	413,633,683	391,159,034	405,384,832	466,349,856	485,066,023	483,562,688	477,772,783	463,878,635	481,610,599
Outside City										
Emmett Township	15,309,213	15,601,835	15,683,365	13,664,074	13,313,430	13,132,364	13,402,305	13,583,653	13,050,243	13,033,516
Bedford Township	3,778,467	3,640,246	3,868,998	3,808,655	3,562,447	3,522,107	306,639	267,159	202,066	181,280
Springfield City	21,227,255	21,616,262	20,611,891	21,051,942	30,787,488	26,646,743	22,092,761	26,440,601	24,068,484	23,237,058
Pennfield Township	3,099,600	3,418,800	2,882,400	2,911,900	3,431,500	4,598,300	7,130,229	7,519,281	7,625,181	7,105,160
	43,414,535	44,277,143	43,046,654	41,436,571	51,094,865	47,899,514	42,931,934	47,810,694	44,945,974	43,557,014
Totals	423,818,730	457,910,826	434,205,688	446,821,403	517,444,721	532,965,537	526,494,622	525,583,477	508,824,609	525,167,613

(1) This class includes commercial and governmental users.

Table 19

CITY OF BATTLE CREEK, MICHIGAN
Water System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet) - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	30.01%	32.21%	33.02%	32.61%	29.00%	28.36%	27.43%	27.38%	27.06%	25.63%
Commercial	24.50%	26.45%	26.38%	25.90%	24.29%	24.45%	23.49%	23.76%	25.07%	24.46%
Industrial	28.56%	31.67%	30.68%	32.22%	36.83%	38.20%	40.92%	39.76%	39.04%	41.61%
	83.07%	90.33%	90.09%	90.73%	90.13%	91.01%	91.85%	90.90%	91.17%	91.71%
Outside City										
Ermet Township	3.34%	3.41%	3.61%	3.06%	2.57%	2.46%	2.55%	2.58%	2.56%	2.48%
Bedford Township	0.83%	0.79%	0.89%	0.85%	0.69%	0.66%	0.06%	0.05%	0.04%	0.03%
Springfield City	4.64%	4.72%	4.75%	4.71%	5.95%	5.00%	4.20%	5.03%	4.73%	4.42%
Pennfield Township	0.68%	0.75%	0.66%	0.65%	0.66%	0.86%	1.35%	1.43%	1.50%	1.35%
	9.48%	9.67%	9.91%	9.27%	9.87%	8.99%	8.15%	9.10%	8.83%	8.29%
Totals	92.55%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 20

CITY OF BATTLE CREEK, MICHIGAN
Water Pumped and Sold (Cubic Feet) - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Fiscal Year Ended June 30	Water Pumped	Percent Increase (Decrease)	Water Sold	Percent Increase (Decrease)	Water Sold as a % of Water Pumped
2004	515,498,663	-5.79%	423,818,730	-7.45%	82.22%
2003	547,204,560	2.25%	457,910,826	5.46%	83.68%
2002	535,185,830	-1.60%	434,205,688	-2.82%	81.13%
2001	543,913,102	-12.02%	446,821,403	-16.16%	82.15%
2000	593,451,872	-8.06%	517,444,721	-1.72%	87.19%
1999	618,247,326	2.17%	532,965,537	1.40%	86.21%
1998	645,486,631	6.67%	526,494,622	0.17%	81.57%
1997	605,137,701	4.82%	525,583,477	3.29%	86.85%
1996	577,338,235	0.19%	508,824,609	-3.11%	88.13%
1995	576,256,684	-1.53%	525,167,613	-3.78%	91.13%

Table 21

CITY OF BATTLE CREEK, MICHIGAN
Water Revenue and Usage - Major Customers - Unaudited
Fiscal Year Ended June 30, 2004

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg (Plant)	Breakfast foods	43,985,300	10.38%	\$ 472,310	7.76%
Kraft Foods, Post Division	Breakfast foods	35,594,497	8.40%	394,964	6.49%
Denso Manufacturing Michigan, Inc.	Auto Parts	13,751,999	3.24%	118,635	1.95%
Battle Creek Health System	Medical services	5,420,800	1.28%	64,796	1.07%
Cello-Foil Products Inc.	Food Packaging	4,651,195	1.10%	17,329	0.28%
Johnson Controls	Automotive parts	3,855,252	0.91%	52,397	0.86%
City of Battle Creek - WWTP	Government	3,786,500	0.89%	43,493	0.71%
Michigan Carton & Paperboard	Paper mill	3,755,800	0.89%	50,881	0.84%
Community Hospital	Hospital	3,036,600	0.72%	15,968	0.26%
Ralcorp Holdings, Inc	Breakfast foods	3,000,000	0.71%	43,065	0.71%
Kellogg (Research)	Breakfast Cereal	2,975,200	0.70%	36,979	0.61%
Rock-Tenn/Waldorf Corp	Paperboard	2,842,200	0.67%	43,138	0.71%
US Gov't Federal Center	Government	2,628,302	0.62%	37,733	0.62%
Calhoun County Justice Center	Jail/Courts	2,280,100	0.54%	28,553	0.47%
VA Laundry	Laundry	1,953,200	0.46%	23,608	0.39%
Rolling Hills Mobile Home Park	Mobile Homes	1,909,600	0.45%	24,923	0.41%
Kellogg (Headquarters)	Breakfast Cereal	1,606,500	0.38%	23,191	0.38%
McCamly Plaza Hotel	Hotel	1,464,100	0.35%	20,204	0.33%
II Stanley	Automotive Parts	1,391,800	0.33%	19,913	0.33%
Gallaher Laundry	Laundry	1,198,806	0.28%	15,434	0.25%
Totals		141,087,751	33.29%	\$ 1,547,514	25.44%

Table 22

CITY OF BATTLE CREEK, MICHIGAN
Current Water Rates (Effective July 1, 2001) - Unaudited

Monthly Water Commodity Charge (1) (Fiscal Year Ending June 30)						
	2002	2003	2004	2005	2006	
<u>Inside City</u>						
0 to 4,410,000	\$ 0.96	\$ 1.01	\$ 1.06	\$ 1.11	\$ 1.17	
4,410,001 to 11,000,000	0.47	0.49	0.51	0.54	0.57	
Over 11,000,000	0.70	0.74	0.78	0.82	0.86	
<u>Outside City (bulk rate)</u>						
Pennfield Township	0.80	0.81	0.82	0.83	0.84	
Springfield City (4)	1.37	1.37	1.37	1.37	1.37	

Monthly Readiness-to-Serve Charge (2) (Fiscal Year Ending June 30)						
	2002	2003	2004	2005	2006	
<u>Inside City</u>						
3/4" or less	\$ 5.52	\$ 5.80	\$ 6.09	\$ 6.39	\$ 6.71	
1"	9.38	9.86	10.35	10.86	11.41	
1.5"	19.32	20.30	21.32	22.37	27.49	
2"	36.98	38.86	40.80	42.81	44.96	
3"	82.80	87.00	91.35	95.85	100.65	
4"	149.04	156.60	164.43	172.53	181.17	
6"	331.20	348.00	365.40	383.40	402.60	
8"	552.00	580.00	609.00	639.00	671.00	
10"	910.80	957.00	1,004.85	1,054.35	1,107.15	
12" (5)						

Monthly Fire Sprinkler Charges (3) (Fiscal Year Ending June 30)						
	2002	2003	2004	2005	2006	
<u>Inside City</u>						
2"	\$ 4.13	\$ 4.33	\$ 4.55	\$ 4.78	\$ 5.01	
3"	6.75	7.09	7.44	7.81	8.20	
4"	9.75	10.24	10.75	11.29	11.85	
6"	18.00	18.90	19.85	20.84	21.88	
8"	33.00	34.65	36.38	38.20	40.11	
10"	49.50	51.98	54.57	57.30	60.17	

(1) Rate per 100 cubic feet.

(2) Rate based on meter size; Outside City rates are set by contract.

(3) Rate based on connection size; Outside City rates are set by contract.

(4) Currently in negotiations.

(5) To be calculated at time of permit.

Table 23

CITY OF BATTLE CREEK, MICHIGAN
Number of Wastewater System Customers by User Class - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	16,288	16,304	16,382	16,383	16,388	16,389	16,408	14,901	14,959	14,850
Commercial (1)	1,744	1,753	1,760	1,740	1,748	1,758	1,766	1,755	1,745	1,738
Industrial	145	142	141	144	145	144	143	156	162	151
	18,177	18,199	18,283	18,267	18,281	18,291	18,317	16,812	16,866	16,739
Outside City										
Emmett Township	1,779	1,781	1,740	1,708	1,696	1,700	1,697	706	710	685
Bedford Township (2)	565	559	564	564	570	577	23	33	31	28
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	2,344	2,340	2,304	2,272	2,266	2,277	1,720	739	741	713
Totals	20,521	20,539	20,587	20,539	20,547	20,568	20,037	17,551	17,607	17,452

(1) This class includes commercial and governmental users.

(2) Increase in 1999 applicable to Orchard Park addition.

Table 24

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Customers by User Class as a Percent of Total - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	79.37%	79.38%	79.57%	79.77%	79.76%	79.68%	81.89%	84.90%	84.96%	85.09%
Commercial	8.50%	8.53%	8.55%	8.47%	8.51%	8.55%	8.81%	10.00%	9.91%	9.96%
Industrial	0.71%	0.69%	0.68%	0.70%	0.71%	0.70%	0.71%	0.89%	0.92%	0.87%
	88.58%	88.61%	88.81%	88.94%	88.97%	88.93%	91.42%	95.79%	95.79%	95.91%
Outside City										
Emmett Township	8.67%	8.67%	8.45%	8.32%	8.25%	8.27%	8.47%	4.02%	4.03%	3.93%
Bedford Township	2.75%	2.72%	2.74%	2.75%	2.77%	2.81%	0.11%	0.19%	0.18%	0.16%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	11.42%	11.39%	11.19%	11.06%	11.03%	11.07%	8.58%	4.21%	4.21%	4.09%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Table 25

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Revenues by User Class - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	\$2,772,893	\$2,709,184	\$2,660,562	\$2,736,605	\$2,822,317	\$2,944,037	\$2,947,902	\$1,982,567	\$1,537,278	\$1,463,317
Commercial (1)	2,011,039	2,091,895	4,004,457	2,203,387	4,637,862	4,756,430	4,682,374	1,440,832	1,302,480	1,332,958
Industrial	3,609,226	3,814,617	2,092,277	4,089,700	2,166,179	2,210,909	2,174,556	1,482,808	1,235,646	1,301,887
	8,393,158	8,615,696	8,757,296	9,029,692	9,626,358	9,911,376	9,804,832	4,906,207	4,075,404	4,098,162
Outside City										
Emmett Township (2)	574,372	565,512	581,042	474,961	548,813	525,324	533,130	203,017	206,334	188,271
Bedford Township (2)	173,777	156,851	163,932	381,230	379,931	394,547	404,770	5,708	4,106	3,524
Springfield City	335,050	373,633	358,720	344,925	360,560	357,106	354,650	240,309	115,529	108,811
Pennfield Township	386,898	365,038	373,633	150,557	160,551	151,382	282,236	56,395	36,921	34,105
	1,470,097	1,461,034	1,477,327	1,351,673	1,449,855	1,428,359	1,574,786	505,429	362,890	334,711
Totals	\$9,863,255	\$10,076,730	\$10,234,623	\$10,381,365	\$11,076,213	\$11,339,735	\$11,379,618	\$5,411,636	\$4,438,294	\$4,432,873

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

Table 26

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Revenues by User Class as a Percent of Total Revenue - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	28.11%	26.89%	26.00%	26.36%	25.48%	25.96%	25.91%	36.64%	34.64%	33.01%
Commercial (1)	20.39%	20.76%	39.13%	21.22%	41.87%	41.94%	41.15%	26.62%	29.35%	30.07%
Industrial	36.59%	37.86%	20.44%	39.39%	19.56%	19.50%	19.11%	27.40%	27.84%	29.37%
	85.10%	85.50%	85.57%	86.98%	86.91%	87.40%	86.16%	90.66%	91.82%	92.45%
Outside City										
Emmett Township (2)	5.82%	5.61%	5.68%	4.58%	4.95%	4.63%	4.68%	3.75%	4.65%	4.25%
Bedford Township (2)	1.76%	1.56%	1.60%	3.67%	3.43%	3.48%	3.56%	0.11%	0.09%	0.08%
Springfield City	3.40%	3.71%	3.50%	3.32%	3.26%	3.15%	3.12%	4.44%	2.60%	2.45%
Pennfield Township	3.92%	3.62%	3.65%	1.45%	1.45%	1.33%	2.48%	1.04%	0.83%	0.77%
	14.90%	14.50%	14.43%	13.02%	13.09%	12.60%	13.84%	9.34%	8.18%	7.55%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

Table 27

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Seven Year History of Volumes - Unaudited

Fiscal Year Ended June 30,	Total Customers	Total Annual Amount of Sewer Treatment Sold (000's Gallons)	Total Annual Amount of Sewer Treated (000's Gallons)
2004	20,521	3,874	3,506
2003	20,539	4,071	3,441
2002	20,587	3,412	3,881
2001	20,539	3,518	3,928
2000	20,547	3,685	4,030
1999	20,568	3,982	4,747
1998	20,037	3,944	4,604

Table 28

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Sales Volume by User Class (Cubic Feet) - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	123,417,582	125,022,045	123,915,476	130,375,450	128,255,231	128,282,507	126,422,885	143,915,251	137,682,987	134,626,389
Commercial (1)	92,006,080	96,810,569	95,602,782	95,565,835	97,735,031	99,577,990	98,953,998	124,884,532	127,552,745	128,440,957
Industrial	36,464,788	36,522,291	36,753,185	46,069,410	53,078,482	59,575,931	63,146,659	208,973,000	198,642,903	218,543,253
	251,888,450	258,354,905	256,271,443	272,010,695	279,068,744	287,436,428	288,523,542	477,772,783	463,878,635	481,610,599
Outside City										
Emmett Township	25,851,285	25,479,003	26,255,880	23,782,984	24,401,981	22,817,233	23,995,129	13,583,653	13,050,243	13,033,516
Bedford Township	7,251,759	6,967,764	6,945,184	7,460,413	6,957,095	6,991,208	2,552,162	267,159	202,066	181,280
Springfield City	17,822,333	17,191,832	16,500,091	17,133,860	18,318,679	18,648,271	18,708,921	26,440,601	24,068,484	23,237,058
Pennfield Township	18,974,550	18,841,131	17,263,203	16,211,301	16,676,437	17,311,150	17,272,255	7,519,281	7,625,181	7,105,160
	69,899,927	68,479,730	66,964,358	64,588,558	66,354,192	65,767,862	62,528,467	47,810,694	44,945,974	43,557,014
Totals	321,788,377	326,834,635	323,235,801	336,599,253	345,422,936	353,204,290	351,052,009	525,583,477	508,824,609	525,167,613

(1) This class includes commercial and governmental users.

Table 29

CITY OF BATTLE CREEK, MICHIGAN
Wastewater System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet) - Unaudited
Last Ten Fiscal Years Ended June 30, 2004

Type of User	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In-City										
Residential	38.35%	38.25%	38.34%	38.73%	37.13%	36.32%	36.01%	27.38%	27.06%	25.63%
Commercial	28.59%	29.62%	29.58%	28.39%	28.29%	28.19%	28.19%	23.76%	25.07%	24.46%
Industrial	11.33%	11.17%	11.37%	13.69%	15.37%	16.87%	17.99%	39.76%	39.04%	41.61%
	78.28%	79.05%	79.28%	80.81%	80.79%	81.38%	82.19%	90.90%	91.17%	91.71%
Outside City										
Emmett Township	8.03%	7.80%	8.12%	7.07%	7.06%	6.46%	6.84%	2.58%	2.56%	2.48%
Bedford Township	2.25%	2.13%	2.15%	2.22%	2.01%	1.98%	0.73%	0.05%	0.04%	0.03%
Springfield City	5.54%	5.26%	5.10%	5.09%	5.30%	5.28%	5.33%	5.03%	4.73%	4.42%
Pennfield Township	5.90%	5.76%	5.34%	4.82%	4.83%	4.90%	4.92%	1.43%	1.50%	1.35%
	21.72%	20.95%	20.72%	19.19%	19.21%	18.62%	17.81%	9.10%	8.83%	8.29%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CITY OF BATTLE CREEK, MICHIGAN
Wastewater Revenue and Usage - Major Customers - Unaudited
Fiscal Year Ended June 30, 2004

Table 30

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg (Plant)	Breakfast foods	48,347,026	15.02%	\$ 1,185,451	12.02%
Michigan Carton & Paperboard	Paper mill	29,798,717	9.26%	709,079	6.93%
Kraft Foods/Post Division	Breakfast foods	24,533,913	7.62%	593,986	5.80%
Rock-Tenn/Waldorf Corp	Paperboard	12,968,280	4.03%	298,716	2.92%
Denso Manufacturing Michigan, Inc.	Automotive parts	6,845,599	2.13%	146,484	1.43%
Veterans Administration Medical Center	Medical services	5,209,900	1.62%	111,421	1.09%
Battle Creek Health System	Medical services	4,008,800	1.25%	85,838	0.84%
Ralcorp Holdings, Inc	Breakfast foods	3,968,448	1.23%	85,201	0.83%
Johnson Controls	Automotive parts	3,855,252	1.20%	82,567	0.81%
Federal Center	Government	2,941,932	0.91%	62,663	0.61%
Kellogg - Research	Research	2,437,600	0.76%	52,371	0.51%
Calhoun Co. Justice Center	Jail/Courts	2,280,100	0.71%	49,016	0.48%
Bedford Hills MHP	Mobile home park	2,162,600	0.67%	50,844	0.50%
V.A. Laundry	Laundry services	1,889,900	0.59%	40,482	0.40%
McCamly Plaza Hotel	Hotel	1,454,200	0.45%	31,425	0.31%
River Oaks Apartments	Housing	1,295,709	0.40%	28,272	0.28%
Rolling Hills	Housing	1,835,200	0.57%	39,540	0.39%
Gallagher Laundry	Laundry services	1,119,400	0.35%	24,071	0.24%
Battle Creek Inn	Hotel	946,100	0.29%	20,286	0.20%
Il Stanley Company, Inc	Automotive parts	799,600	0.25%	17,259	0.17%
Totals		\$ 158,698,276	49.32%	3,714,972	36.30%

(1) Consumption measured in Cubic Feet (M3)

Table 31

CITY OF BATTLE CREEK, MICHIGAN
Largest Wastewater Customers

Fiscal Year Ended June 30,	Kellogg Company		Michigan Carton & Paperboard		Kraft Foods/Post Division	
	Consumption	Revenue	Consumption	Revenue	Consumption	Revenue
2004	48,347,026	\$ 1,185,451	29,798,717	\$ 709,079	24,533,913	\$ 593,986
2003	47,185,600	482,405	12,210,800	114,110	40,534,399	428,411
2002	51,283,300	489,581	9,257,700	95,413	37,645,952	380,223
2001	57,428,950	493,595	11,948,000	113,754	32,090,000	304,788
2000	82,290,550	590,816	12,778,000	120,647	30,355,000	289,448
1999	107,261,870	628,962	14,560,173	135,949	29,566,000	304,073
1998	115,139,000	622,540	15,000,000	140,916	34,264,000	308,958

Consumption measured in Cubic Feet (M3).

Table 32

CITY OF BATTLE CREEK, MICHIGAN
Current Wastewater Rates (From 7/1/98 to Present) - Unaudited

Monthly Sewer Commodity Charge (1)

<u>Meter Size</u>	<u>Rate Per 100 Cubic Feet</u>		
	<u>Inside City</u>	<u>Emmett Twp.</u>	<u>Bedford Twp.</u>
All sewer purchased	\$ 2.13	\$ 2.24	\$ 2.33

Monthly Readiness-to-Serve Charge

<u>Meter Size</u>	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 1.45	\$ 1.45
3/4"	1.45	1.45
1"	2.00	2.00
1.5"	3.40	3.40
2"	4.90	4.90
3"	11.20	11.20
4"	19.00	19.00
6"	37.55	37.55
8"	56.10	56.10
10"	75.50	75.50
12"	88.00	88.00
16"	117.75	117.75

Residential customers without water meters assume consumption of 750 cubic feet per month

CITY OF BATTLE CREEK, MICHIGAN
Demographic Data - Building Permits (1)

Table 33

	2004	2003	2002	2001	2000	1999	1998
Commerical and Industrial							
Number of Permits	295	55	149	629	775	742	889
Dollar Value	\$23,522,835	\$22,380,651	\$23,662,696	\$15,835,886	\$27,121,490	\$19,339,399	\$38,440,248
Residential							
Number of Permits	354	1378	887	393	439	599	504
Dollar Value	\$15,166,842	\$14,779,379	\$24,164,114	\$15,835,886	\$27,121,490	\$39,896,953	\$23,059,131
Totals							
Number of Permits	649	1,433	1,036	1,022	1,214	1,341	1,393
Dollar Value	\$38,689,677	\$37,160,030	\$47,826,810	\$31,671,772	\$54,242,980	\$59,236,352	\$61,499,379

(1) Data based on calendar year, except current year which is through September 30.

SOURCE: City of Battle Creek

CITY OF BATTLE CREEK, MICHIGAN
Demographic Data - General Housing Characteristics (1)

Table 34

	<u>Number of Units</u>
Total housing units	23,525
Occupied housing units	21,348
Owner-occupied housing units	14,044
Renter-occupied housing units	7,304
For seasonal, recreational or occasional use	104
Specified owner-occupied housing units:	
Less than \$50,000	3,438
\$50,000 to \$99,999	5,770
\$100,000 to \$149,999	2,232
\$150,000 to \$199,999	829
\$200,000 to \$299,999	476
\$300,000 to \$499,999	187
\$500,000 to \$999,999	30
\$1,000,000 or more	0
	<u>12,962</u>

SOURCE: 2000 Census

Table 35

CITY OF BATTLE CREEK, MICHIGAN
Demographic Data - Retail Sales and Buying Power

Retail Sales (in thousands)	City of Battle Creek		State of Michigan		United States	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Food	\$ 98,278	9.4%	\$ 14,597,321	11.1%	\$ 489,332,034	13.1%
Restaurants	80,458	7.7%	11,676,049	8.9%	357,906,000	9.6%
General merchandise	268,700	25.7%	21,583,094	16.4%	483,234,307	13.0%
Furniture and appliance	34,086	3.3%	6,295,129	4.8%	197,767,823	5.3%
Automotive	196,501	18.8%	33,012,826	25.1%	889,259,170	23.9%
Other	366,802	35.1%	44,337,071	33.7%	1,307,492,696	35.1%
Total	\$ 1,044,825	100.0%	\$ 131,501,490	100.0%	\$ 3,724,992,030	100.0%

Estimated Effective Household Buying Income
% of Household Range

<u>E.H.B.I. Range</u>	City of Battle Creek	State of Michigan	United States
Under \$19,999	28.4%	20.4%	22.3%
\$20,000 - \$34,999	26.8%	22.9%	23.2%
\$35,000 - \$49,999	19.0%	19.7%	19.5%
\$50,000 and Over	25.8%	37.0%	35.0%
Median EHBI	\$ 31,845	\$ 39,070	\$ 38,035
Average EHBI	\$ 38,458	\$ 49,393	\$ 48,798

(2) EHBI = Effective Household Buying Income.

SOURCE: "Survey of Buying Power": Sales and Marketing
Management Magazine: September 30, 2003

Table 36

CITY OF BATTLE CREEK, MICHIGAN
Demographic Data - Unadjusted Employment Data - 1998-2003

	2004(1)	2003	2002	2001	2000	1999	1998
City of Battle Creek							
Employed	23,225	22,775	22,725	23,250	23,975	25,125	24,650
Unemployed	<u>1,925</u>	<u>2,125</u>	<u>1,925</u>	<u>1,625</u>	<u>1,300</u>	<u>1,300</u>	<u>1,200</u>
Total labor force	<u>25,150</u>	<u>24,900</u>	<u>24,650</u>	<u>24,875</u>	<u>25,275</u>	<u>26,425</u>	<u>25,850</u>
Percent unemployed	<u>7.7%</u>	<u>8.5%</u>	<u>7.4%</u>	<u>6.6%</u>	<u>5.2%</u>	<u>4.9%</u>	<u>4.6%</u>
State of Michigan (in thousands)							
Employed	4,797	4,674	4,691	4,886	4,989	4,950	4,837
Unemployed	<u>348</u>	<u>368</u>	<u>310</u>	<u>271</u>	<u>183</u>	<u>194</u>	<u>194</u>
Total labor force	<u>5,145</u>	<u>5,042</u>	<u>5,001</u>	<u>5,157</u>	<u>5,172</u>	<u>5,144</u>	<u>5,031</u>
Percent unemployed	<u>6.8%</u>	<u>7.3%</u>	<u>6.2%</u>	<u>5.3%</u>	<u>3.5%</u>	<u>3.8%</u>	<u>3.9%</u>

(1) June 2004 Average

SOURCE: Michigan Department of Career Development



REHMANN ROBSON

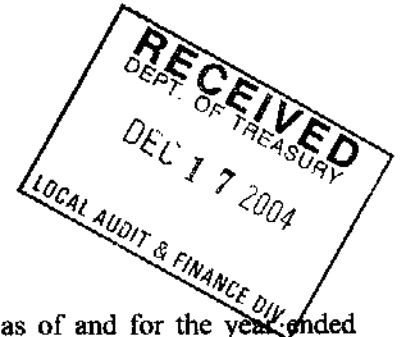
Certified Public Accountants

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October 29, 2004

To the City Commissioners
City of Battle Creek, Michigan



We have audited the basic financial statements of the **City of Battle Creek** as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 14, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Battle Creek are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2004. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the City's self-insurance internal service fund. We relied upon the work of the City's third-party administrator and internal risk manager for the estimated liabilities on reported claims and the work of the City's internal risk manager for the calculation of the estimated liabilities for incurred but not reported claims based on GASB Statement No. 10, as amended by GASB Statement No. 30 and Interpretation No. 4.
- Management's estimate of the collectability of receivables (excluding those receivables for which the City has the right to levy a lien against the applicable property owner). We evaluated the key factors and assumptions used to develop the allowances for uncollectable accounts in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the original cost and accumulated depreciation of infrastructure capital assets. We evaluated the key factors/assumptions used to develop the original cost and accumulated depreciation of the infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable capital assets – i.e., the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.